

SEC70

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:                 )  
  ) File No. HO-13388-A  
KIK INTERACTIVE INC.                 )

WITNESS: Jake Brukhman

PAGES: 1 through 227

PLACE:       Securities and Exchange Commission  
              200 Vesey Street  
              New York, New York 10281

DATE: Wednesday, July 11, 2018

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:09 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

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<p>1 APPEARANCES:</p> <p>2</p> <p>3 On behalf of the Securities and Exchange Commission:</p> <p>4 JEFFREY LEASURE, ESQ.</p> <p>5 BRENT MITCHELL, ESQ.</p> <p>6 JAMES MURTHA, ESQ.</p> <p>7 Securities and Exchange Commission</p> <p>8 Division of Enforcement</p> <p>9 Brookfield Place, Suite 400</p> <p>10 200 Vesey Street</p> <p>11 New York, New York 10281</p> <p>12</p> <p>13</p> <p>14 On behalf of the Witness:</p> <p>15 PAUL J. ROSHKA, JR., ESQ.</p> <p>16 Polsinelli</p> <p>17 One East Washington Street, Suite 1200</p> <p>18 Phoenix, Arizona 85004-2568</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 C O N T E N T S</p> <p>2 WITNESS EXAMINATION</p> <p>3 Jake Brukhman 7</p> <p>4</p> <p>5 EXHIBITS: DESCRIPTION IDENTIFIED</p> <p>6 59 Subpoena 9</p> <p>7 60 E-Mail, Bates Stamped 108</p> <p>8 COINFUND10967</p> <p>9 61 CoinFund Engagement 114</p> <p>10 Agreement, Bates Stamped</p> <p>11 COINFUND5973</p> <p>12 62 E-Mail Chain, Bates 126</p> <p>13 Stamped COINFUND11441</p> <p>14 63 E-Mail, Bates Stamped 153</p> <p>15 COINFUND012600</p> <p>16 64 Multi-Page Document, 167</p> <p>17 Bates Stamped</p> <p>18 COINFUND20094</p> <p>19 65 E-Mail, Bates Stamped 185</p> <p>20 COINFUND11319</p> <p>21 66 E-Mail With Attachment, 194</p> <p>22 Bates Stamped</p> <p>23 COINFUND20083</p> <p>24</p> <p>25</p>
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<p>1 APPEARANCES: (Cont'd)</p> <p>2</p> <p>3 On behalf of the Witness(cont.):</p> <p>4 MICHAEL M. BESSER, ESQ.</p> <p>5 Polsinelli</p> <p>6 2950 N. Harwood Street, Suite 2100</p> <p>7 Dallas, Texas 75201</p> <p>8</p> <p>9 Also Present:</p> <p>10 Adam Venturini, Videographer</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 C O N T E N T S (CONT'D)</p> <p>2</p> <p>3 EXHIBITS: DESCRIPTION IDENTIFIED</p> <p>4 67 Kin Rewards Engine RFC 200</p> <p>5 Bates Stamped</p> <p>6 COINFUND8210</p> <p>7 68 Blog Post 213</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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1 PROCEEDINGS

2 THE VIDEOGRAPHER: This is tape one. We are now  
3 on the record at 9:09 a.m. It is Wednesday, July 11,  
4 2018. This is the opening of the deposition of Jake  
5 Brukman in the matter of Kik Interactive, Case Number  
6 HO-13388.

7 This deposition is being held at the offices of  
8 the SEC, located at 200 Vesey Street, New York, New  
9 York.

10 The court reporter is Melissa Gilmore with  
11 Diversified Reporting. I'm the legal videographer,  
12 Adam Venturini, also with Diversified Reporting.

13 Would counsel please introduce themselves and  
14 state whom they represent?

15 MR. LEASURE: Jeff Leasure. To my left is Brent  
16 Mitchell. We represent the Securities and Exchange  
17 Commission.

18 MR. ROSHKA: Paul Roshka and Mike Besser from  
19 Polsinelli.

20 THE VIDEOGRAPHER: We are all set.

21 MR. LEASURE: Sir, can I ask you to raise  
22 your right hand?

23 Do you swear to tell the truth, the whole truth  
24 and nothing but the truth?

25 MR. BRUKHMAN: I do.

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1 federal securities laws. However, the facts developed in  
2 this investigation might constitute violations of other  
3 federal or state, civil or criminal laws.

4 Prior to the opening of the record, you were  
5 provided with a copy of the Formal Order of Investigation in  
6 this matter as supplemented. That's the one on the top. It  
7 will be available for your examination during the course of  
8 this proceeding.

9 Mr. Brukman, have you had an opportunity to  
10 review the Formal Order?

11 A I have.

12 Q Do you have any questions about that?

13 A I do not.

14 Q Prior to the opening of the record, you were  
15 provided with a copy of the Commission's Supplemental  
16 Information Form 1662.

17 A copy of that notice has been  
18 previously marked as Exhibit 1.

19 Have you had the opportunity to read Exhibit  
20 Number 1?

21 A I have.

22 Q Do you have any questions concerning this notice?

23 A I do not.

24 Q I'm marking a copy of this document as  
25 Exhibit 59.

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1 MR. LEASURE: Can you please state and spell your  
2 full name for the record?

3 MR. BRUKHMAN: Sure. My time is Jake Brukman,  
4 J-A-K-E, B-R-U-K-H-M-A-N. My legal name is Yakov  
5 Brukman, Y-A-K-O-V.

6 MR. LEASURE: That's fine. But you go by Jake?

7 MR. BRUKHMAN: I go by Jake.

8 Whereupon,

9 JAKE BRUKHMAN

10 was called as a witness and, having been first duly sworn,  
11 was examined and testified as follows:

12 EXAMINATION

13 BY MR. LEASURE:

14 Q Good morning, Mr. Brukman. I am Jeff Leasure  
15 and to my left is Brent Mitchell. We're going to be joined,  
16 hopefully this morning, by a colleague of ours named James  
17 Murtha.

18 Each of us are members of the staff of the  
19 Enforcement Division of the United States Securities and  
20 Exchange Commission, and officers of the Commission for  
21 purposes of this proceeding.

22 This is an investigation by the United States  
23 Securities and Exchange Commission in the matter of Kik  
24 Interactive, File Number HO-13388, to determine whether  
25 there have been violations of certain provisions of the

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1 (SEC Exhibit No. 59 was marked for  
2 identification.)

3 Q Mr. Brukman, is Exhibit 59 a copy of the  
4 subpoena you are appearing pursuant to here today?

5 A I believe it is.

6 Q Great. Thank you.

7 Mr. Brukman, is there any reason you would be  
8 unable to give complete and accurate testimony today?

9 A Not that I can think of.

10 Q Great. That's all the preliminaries.

11 We'd like to start by learning more about you and  
12 then CoinFund, and let's start with you.

13 It would be helpful if we can get a resume level  
14 overview of your background, perhaps starting with any  
15 education after high school, going forward.

16 A Sure.

17 My academic background is in mathematics  
18 and computer science.

19 I attended Rutgers University for  
20 undergrad.

21 I attended the Courant Institute of Mathematical  
22 Sciences for graduate school.

23 My career is just about a ten-year career in  
24 technology before going into blockchain.

25 The first five years of my career, I worked in

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1 financial technology, including -- Highbridge Capital  
2 Management is a company that I worked at.  
3 I thereafter went into pure technology. I was a  
4 technical product manager and engineer at Amazon.com.

5 And, thereafter, I was a CTO of a company called  
6 Trenton Research, which is a fintech research company doing  
7 research on private technology companies.

8 Thereafter, I started CoinFund and went full time  
9 working on that company.

10 **Q When did you start CoinFund?**

11 A Well, CoinFund -- you know, CoinFund's kind of  
12 record begins around July 1, 2015.

13 **Q When you say "record," was there something before**  
14 **that, informal or --**

15 A It's just that, you know, it was before the  
16 incorporation of CoinFund, LLC, as a legal entity. That  
17 happened later, but the activity is -- kind of started at  
18 that time.

19 **Q Got it. When did you become interested or**  
20 **involved in blockchain or blockchain technology?**

21 A Sure.

22 I received my first bitcoin in 2011. I  
23 don't remember exactly the month. It must have been spring.  
24 That was the first time that I was introduced to the  
25 technology.

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1 You know, I thereafter, as a technologist, as a  
2 curious person, followed the developments of this  
3 technology.

4 Around the time of Ethereum, I started being more  
5 interested because I felt like it was a technology that was  
6 continuing to develop.

7 **Q Okay.**

8 A Yep.

9 **Q And what led you to start CoinFund, then?**

10 A A desire to research and understand the  
11 technology.

12 **Q I'm not sure I follow that. Why does that lead**  
13 **you to start an entity called CoinFund?**

14 A The idea behind CoinFund is to be kind of a  
15 proprietary trading or investment firm, investing in  
16 cryptocurrencies and digital assets.

17 **Q Got it.**

18 A Hence, the name.

19 **Q Makes sense. So the idea was to start a fund and**  
20 **make proprietary investments into various mostly digital**  
21 **assets or other assets?**

22 A Exclusively cryptocurrencies and digital assets  
23 was the thinking at that time.

24 **Q Okay.**

25 **And that's continued to the present? The**

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1 **thinking, I should say, not CoinFund.**

2 A It has not.

3 **Q How has it changed?**

4 A Today, we, as investors, might invest in the  
5 equity of companies as well as the digital assets that are  
6 being produced by those companies.

7 **Q Companies only in the blockchain space or more**  
8 **broad than that?**

9 A I would say predominantly in the blockchain  
10 space.

11 **Q Got it. Let's go back.**

12 **I think you said CoinFund was started in 2015,**  
13 **and I think you explained why. It was mostly -- it was a**  
14 **vehicle, if I understand right, for proprietary investments**  
15 **into various digital assets.**

16 **Do I have that right?**

17 A I believe so.

18 **Q Cool. And you founded it?**

19 A Yes.

20 **Q With anybody else?**

21 A I mean, CoinFund LLC is an LLC, so it has a  
22 number of members besides myself. I was the sort of -- I  
23 took the leading role in establishing the company.

24 **Q Okay.**

25 **And did you have any partners or employees**

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1 **when the company started?**

2 A We did not have employees. We did have LLC members,  
3 which I guess you can consider partners.

4 **Q Sure.**

5 **Who were the LLC members?**

6 A You know, the first member, besides myself, was  
7 my dad.

8 **Q Cool. Okay.**

9 A There are a number of folks that joined  
10 subsequently.

11 **Q Okay. I take it the fund -- you put some money**  
12 **into the fund to make investments, correct?**

13 A So I want to clarify that. So the company is not  
14 a fund in the sense that it is a sort of traditional hedge  
15 fund structure.

16 It's just sort of an LLC, proprietary  
17 trading company.

18 So, as an LLC, you know, members are able to make  
19 contributions of capital to the company, which the members  
20 did.

21 **Q You did?**

22 A I did.

23 **Q I take it other friends and family may have?**

24 A They did.

25 **Q Okay. And then, over time, were more people**

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1 added as members, employees or otherwise affiliated with  
 2 CoinFund?  
 3 A Members were added over time.  
 4 Q And who were they?  
 5 A There's about ten members -- not about. There's  
 6 ten members of CoinFund today. Those are myself; my dad,  
 7 Greg Brukman; Michael Bosworth, who is currently CoinFund's  
 8 CTO; a few other people. I mean, if you would like the  
 9 specific names.  
 10 Q No, no, no.  
 11 What might be helpful is I'm going  
 12 to just give you a few names of people I think sort of  
 13 joined or participated over time, and maybe if you can  
 14 explain for me their roles at CoinFund.  
 15 A Sure.  
 16 Q Alex Felix?  
 17 A Sure.  
 18 Alex Felix is one of our partners. He  
 19 serves primarily as the chief investment officer of  
 20 CoinFund.  
 21 Q And what does he do as the chief investment  
 22 officer?  
 23 A Primarily research.  
 24 Q What does he research?  
 25 A He researches companies and, you know,

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1 predominantly in the blockchain space or decentralized  
 2 technologies in the blockchain space, what they do, how they  
 3 operate, what they are meant to do.  
 4 Q Okay.  
 5 I think I hope I'm not mispronouncing the  
 6 name, forgive me, Alexander Bulkin, B-U-L-K-I-N?  
 7 A That's correct. Alex Bulkin is one of our  
 8 partners as well.  
 9 Q What does he do?  
 10 A He is sort of also a researcher for CoinFund. He  
 11 has a technical background very similar to my own.  
 12 He also, you know, researches the technology. He  
 13 has made contributions to the field of blockchain technology  
 14 and consensus algorithms. We call him our chief alchemist.  
 15 Q Chief alchemist. Okay.  
 16 With a technical or technological background in  
 17 the field?  
 18 A That's correct.  
 19 Q Oleg Golubov, G-O-L-U-B-O-V?  
 20 A That's correct.  
 21 Oleg Golubov is a fourth  
 22 partner. He has a background in computer science and law.  
 23 He's our General Counsel and Chief Operating Officer.  
 24 Q So he has, as it were, two hats?  
 25 A He is primarily on the latter side -- the law side.

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1 Q Okay. Very good.  
 2 We are going to be talking a lot today about  
 3 early to mid 2017, a year, year and a half ago, and the  
 4 market for digital assets like cryptocurrencies. I just  
 5 want to start with definitions so we don't get tripped up on  
 6 terms today.  
 7 What's an ICO?  
 8 A ICO is commonly, you know, the abbreviated as  
 9 initial coin offering or initial currency offering. It is a  
 10 sale of cryptocurrency.  
 11 Q Okay.  
 12 A Or distribution of such currency.  
 13 Q Got it. And the coin in an ICO, again, we're  
 14 dealing with basic terms here at the onset, what is that?  
 15 A It typically refers to a digital asset, such as  
 16 those that emerge from blockchains.  
 17 Q Okay.  
 18 And the term "token," is that used  
 19 interchangeably with coin in that sense or differently?  
 20 A I don't know exactly how people use it. I can  
 21 tell you that, in my mind, you know, token and coin and  
 22 digital asset carry a similar provenance, yeah.  
 23 Q Okay. I just want to make sure we don't get  
 24 tripped up between you and me, the term today.  
 25 So, again, going into the way-back machine to the

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1 year, year and a half ago, 2017, what was CoinFund doing in  
 2 the crypto space at that time?  
 3 A Proprietary trading, research and investments in  
 4 digital assets.  
 5 Q So same business model as it had been from 2015,  
 6 or had it changed?  
 7 A I mean, the business model, fundamentally, of  
 8 CoinFund LLC, is to invest in digital assets, and that has  
 9 remained consistent over time.  
 10 In 2017, CoinFund partners also, you know, did a  
 11 number of research projects for companies in the space.  
 12 Q Okay. And was one of those -- we'll talk more  
 13 about it, but was one of those Kik?  
 14 A It was.  
 15 Q Okay.  
 16 For, I think you called them, correct me  
 17 if I'm wrong, research projects, roughly, how many clients  
 18 did it have for which it did such projects?  
 19 A We had approximately four major predominant  
 20 clients in 2017.  
 21 Q And was that a new or newer sort of business area  
 22 to CoinFund at the time?  
 23 A Just in the sense that we didn't do it before?  
 24 Q Yeah.  
 25 A I suppose it was.

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**Q Okay. In doing those research projects, sort of at a high level, what did CoinFund do for such clients?**

A The partners of CoinFund, you know, in my estimation, are a highly multi-disciplinary team with a number of areas of expertise, predominantly in blockchain technology.

Myself and Alex Bulkin, between us, have over 25 years of experience in technology and study the architecture, operation, behavior of decentralized systems.

Alex Felix has more of a traditional financial services or investing background. He studies, you know, these technologies from a more financial and investment perspective and, hence, he is our chief investment officer.

And, you know, Oleg, you know, helps us to operate this company.

In the course of working with blockchain companies, you know, we are extremely knowledgeable in the technologies, in how they work, in what kind of technology might suit a particular application or use case, what kind of business verticals is particularly better suitable for blockchain technologies versus not.

And, you know, interestingly, we also spend a lot of time thinking about the economics of such systems, and are able to sort of give expertise on technical areas and the areas of how we've seen these companies operate.

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expertise on the landscape of the coin market in 2017?

A What do you mean by "expertise"?

**Q I think that might have been a term you used. So I can come up with another one.**

A I would say we certainly have technical expertise. We're certainly operating in this industry and so we see the market. I would say we know the market better than people who aren't in our industry.

**Q Okay. So if someone was not in the industry, they might get some value out of talking to people who were in the industry just about how the market looked and operated?**

A I would say so.

**Q Okay. Fair enough.**

**Moving the camera forward, and I will reverse it shortly, but I just want to make sure I understand what CoinFund is doing now in 2018, and if it differs at all from what -- from what it was up to in 2017.**

A It does.

**Q How?**

A In 2018, we launched an actual LP fund, where we raised money for it, we partnered with a major venture capital firm called Venrock to do this.

**Q How do you spell that? I'm sorry. Just to help out.**

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**Q Okay.**

A Or these technologies operate.

**Q That was helpful. It sounds like clients considering entering this space would hire CoinFund for, it sounds like, a variety of different expertises then.**

A I mean, I would say that, primarily, our expertise is in sort of recommending technical solutions and understanding the economics that arise around these technologies.

**Q I understand there were a variety of people at CoinFund in 2017 it sounds to me had different backgrounds, correct?**

A That's correct.

**Q You've walked me through the different things that people specialized in and what CoinFund offered, you know, potential clients.**

**Just to drill down on a couple things. Would you say that CoinFund had expertise in how to do a token offering, just generally how to go about marketing and selling a token?**

A CoinFund is not a marketing company. That is not our area of expertise.

In the course of being investors in blockchain, we have certainly seen a number of ICOs or token offerings.

**Q Okay. Did CoinFund or people who work there have**

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A V-E-N-R-O-C-K.

**Q Thank you.**

A And we are now primarily investors in the space through this vehicle.

**Q I think we will cover that later. Thank you.**

**How did -- let's turn to Kik.**

**How did CoinFund come to be retained by Kik?**

A I had a personal relationship with a gentleman named Joel Monegro, who, at that time, was an analyst at Union Square Ventures for a number of years, working, I don't think exclusively, but in the blockchain space on behalf of Union Square.

Kik Interactive Incorporated is a portfolio company of Union Square Ventures. Joel asked me if I would like to talk to one of the partners at Union Square Ventures, Fred Wilson, regarding a project that Kik Interactive was working on.

He subsequently introduced me to Fred Wilson, and Fred Wilson introduced me to Ted Livingston, the CEO of Kik Interactive, and we, you know, worked with them from there.

**Q Awesome. I think you have anticipated a document I wanted to show you, but let me walk you through it anyway.**

**I'm going to show you a document that's been previously marked as Exhibit 51. Take a look at it. You will get used to the routine that we do with this.**

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1 Take a look at it, and let me know when you are  
2 ready.  
3 While you are reading, I will identify it for the  
4 record.  
5 A Sure.  
6 I am familiar with this document.  
7 Q Oh. And you've anticipated my first question.  
8 Thank you.  
9 Let me just read it out what is for the record.  
10 Document 51 a multi-page printout of an e-mail chain ending  
11 on January 17, 2017, with a subject "Kik," and I should say  
12 it's Exhibit 51.  
13 It has a Bates stamp COINFUND3459.  
14 Are you ready? Great.  
15 You said you're familiar with this exhibit. What  
16 is it?  
17 A This is an e-mail thread between myself and Fred  
18 Wilson on the topic of introducing CoinFund to Kik.  
19 Q Okay.  
20 Let me point you to the beginning of the  
21 thread, which in almost all of these, exactly, will be at the end  
22 of the exhibit.  
23 You had referenced, I see here, a person named  
24 Joel Monegro, M-O-N-E-G-R-O. Is that the personal friend  
25 you had mentioned before?

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1 A I don't believe I said that Joel was a personal  
2 friend.  
3 Q I apologize. Someone you knew.  
4 A Someone I was acquainted with, that's correct.  
5 Q Okay. All right.  
6 And is this -- is this e-mail  
7 just -- you had walked out in a narrative form the process  
8 by which you got introduced to Kik through Union Square.  
9 Is this e-mail reflective of that process?  
10 A I would say so.  
11 Q Okay. Great.  
12 So Joel writes to you, "Jake, we think our  
13 portfolio company, kik.com, should pursue a token strategy.  
14 We are still working on getting them around to it, but they  
15 would need to bring on an expert to execute."  
16 Was CoinFund an expert to execute a token  
17 strategy?  
18 A I mean, I think Joel is referring to the need for  
19 an expert.  
20 I don't think he is referring to CoinFund  
21 specifically as filling that role.  
22 Q Did -- other than CoinFund, did Kik find an  
23 expert to execute the token strategy?  
24 A I think Kik worked with a number of parties to  
25 bring their product to market.

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1 Q And so did they -- if it wasn't CoinFund, did  
2 they otherwise find, you know, the sought-after expert to  
3 execute?  
4 A Can you define expert?  
5 Q I'm less hung up on what I think and what Joel  
6 wrote here.  
7 But it sounds like you don't believe that  
8 CoinFund, in the work that it subsequently did for Kik,  
9 wasn't an expert to execute a token strategy?  
10 A You know, as I mentioned previously, our approach  
11 to blockchain is largely technological in thinking about the  
12 technology, the architecture and the economics of these  
13 systems.  
14 You know, to that extent, I think we are experts,  
15 you know, in that area.  
16 It is not clear to me specifically what Joel is  
17 referring to as an "expert to execute."  
18 Q Understood. I have no intention of getting hung  
19 up on Joel's word, my word or anything.  
20 Why don't we, at a high level right now, walk  
21 through the things, if you would, that CoinFund did for Kik  
22 in the process of Kik introducing Kin at a very high level?  
23 A Sure.  
24 Q Maybe we can drill down later today on some of  
25 them.

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1 A At a high level, CoinFund met with the executive  
2 team of Kik, who are interested in understanding how  
3 blockchain technology-based business model might be deployed  
4 in a product for their business. We engaged them in a  
5 research study which lasted, you know, some weeks or months,  
6 delivered a piece of research to Kik Interactive on that  
7 topic, and subsequently were engaged by Kik Interactive  
8 further to advise them on bringing this product to market.  
9 Q And thank you. That is helpful.  
10 The last piece -- again, we will have time to  
11 break down and go through things that happened over the  
12 months, but the last piece, I think you said to advise them  
13 on bringing this product to market.  
14 Can you break that down a little bit to me into  
15 its component parts?  
16 A Like in the sense of like what we participated in  
17 in that process or in the sense of what the goal of the  
18 project?  
19 Q No, what you participated in, what you did.  
20 A Sure.  
21 So there was, in the second, you know,  
22 post-research engagement with Kik, you know, we helped Kik  
23 Interactive go through a process of defining the product,  
24 defining what cryptocurrency Kin was, what was its purpose,  
25 what -- how that cryptocurrency would function in an



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1 economy, how it would integrate with Kik Interactive's  
2 application to Kik Messenger, how it would potentially  
3 integrate with third-party applications, and, you know, what  
4 might be the use cases of it, and also help them think about  
5 the economics of that cryptocurrencies, namely, the Kin  
6 Rewards Engine.

7 **Q Okay. And at a high level on the technological**  
8 **side, because I understand, obviously, I think several**  
9 **people at CoinFund have backgrounds in that area.**

10 **What did CoinFund do for Kik?**

11 A We helped them through the process of defining  
12 this product.

13 We helped them, you know -- you know, we  
14 helped them to construct the whitepaper that defines the  
15 product.

16 We advised them on, you know, kind of the  
17 technical specification of the Kin Rewards Engine, which is  
18 a highly, almost mathematical kind of vocation.

19 I suppose we also, being participants in the  
20 cryptomarkets, fielded questions from Kik about, you know,  
21 general market conditions. You know, and we're generally  
22 available throughout the process that they went through in  
23 2017, to field questions from the team.

24 **Q Okay.**

25 **That was helpful. Thank you. Again, I**

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1 **Q So, for example, I think the example here is BTC**  
2 **for Kik.**

3 **In theory, could one exchange -- I take it that's**  
4 **bitcoin, BTC?**

5 A BTC stands for bitcoin, usually, yes.

6 **Q Sure. So, in theory, you could exchange bitcoin**  
7 **for another cryptocurrency at such an exchange, right?**

8 A It happens all the time.

9 **Q Sure. And so did -- later on in the process, did**  
10 **Kik act to get Kin listed or tradeable on exchanges?**

11 A Sorry. Can you repeat the question?

12 **Q Absolutely.**

13 **Later on in the process, again, we're in January**  
14 **here, right, and I don't think they've come up with a term**  
15 **"Kin" yet, correct?**

16 A I don't believe so.

17 **Q So we're moving forward in the process now.**

18 **Did Kik act or try to get Kin listed on**  
19 **exchanges?**

20 A I'm not sure what Kik's strategy was in terms of  
21 listing Kin on exchanges.

22 **Q Did CoinFund participate in that?**

23 A To the best of my recollection, we didn't  
24 participate in helping Kik get their token listed on  
25 exchanges.

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1 **don't want to get hung up on the phrases used by Joel or**  
2 **otherwise, but just to hear from you what you guys did is**  
3 **helpful.**

4 **Just while we have this document in front of you,**  
5 **I want to point you, on the start of page -- of the second**  
6 **page, 3460, I'll start reading so you can see where I am.**

7 **Joel Monegro wrote, "Adding Fred@USV who leads**  
8 **the Kik investment."**

9 **He then pastes some of Fred's**  
10 **high-level thoughts on how this could work.**

11 **Do you see where I am?**

12 A Uh-huh.

13 **Q There's a list of what looks like Fred's**  
14 **high-level thoughts. I just want to point you to item 6.**

15 **He writes, "Get an exchange like Poloniex,"**  
16 **P-O-L-O-N-I-E-X, "to create a market in BTC/Kik token so**  
17 **that the Kik token becomes a traded asset and establishes a**  
18 **market value."**

19 **Let me do some terms first. Poloniex, what is**  
20 **that?**

21 A Poloniex is a cryptocurrency exchange.

22 **Q And what's a cryptocurrency exchange?**

23 A It's a website where, typically, you know, you  
24 can go deposit cryptocurrency and then trade it for other  
25 cryptocurrencies.

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1 **Q Did you ever hear that that was part of Kik's**  
2 **strategy, to get Kin onto exchanges?**

3 A I would say so.

4 **Q Tell me about that.**

5 A I can't point to any specific conversation.

6 **Q Okay. So aside -- I get it. It's hard to**  
7 **remember specific conversations.**

8 **Generally, you had the impression that Kik had**  
9 **been making some efforts in that regard?**

10 A I don't know specifically of any particular  
11 effort.

12 **Q Okay.**

13 A Such a -- you know, such a statement may have  
14 been made in a meeting.

15 It's hard to recall specifically  
16 whether -- you know, when or if that happened.

17 **Q Fair enough.**

18 **MR. MITCHELL: Did you have discussions with Kik**  
19 **about why they wanted -- why Kik would want it on an**  
20 **exchange?**

21 **THE WITNESS: I did not.**

22 **BY MR. LEASURE:**

23 **Q I want to talk for a second about, at this time,**  
24 **early 2017, Kik's expertise or familiarity with blockchain**  
25 **and the space. How would you characterize it?**

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1 A You said familiarity with blockchain?

2 **Q Familiarity, experience, expertise with**

3 **blockchain.**

4 MR. ROSHKA: Do you understand the question?

5 THE WITNESS: I'm not sure I understand the

6 question.

7 **Q Was Kik a blockchain company in early 2017?**

8 A I would say no.

9 **Q Okay.**

10 **So I'm not -- there's nothing sneaky here.**

11 **I'm trying to ask, from your perspective, how**

12 **familiar were they with blockchain when you were first**

13 **introduced to them?**

14 A I mean, it's hard for me to judge that,

15 specifically what knowledge like everyone at Kik had about

16 blockchain.

17 **Q Let me just push back slightly on that.**

18 **Subsequent to these e-mails and this**

19 **introduction, you met with people from Kik several times,**

20 **correct?**

21 A That's correct.

22 **Q Had a lot of conversations with them about a**

23 **potential blockchain project, correct?**

24 A That's correct.

25 **Q Okay.**

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1 **But you never formed an impression of**

2 **whether they were, you know, old hats in blockchain or**

3 **whether they were new to it? You never formed an impression**

4 **about that?**

5 A I mean, that judgment is very subjective, right?

6 I would say I know more about blockchain than Kik.

7 **Q That's fine.**

8 **Were they looking -- sorry. Let me ask that in a**

9 **better way.**

10 **Did you have the impression that Kik was looking**

11 **to people like CoinFund or other outside parties to help**

12 **them get up to speed on blockchain and its potential**

13 **application?**

14 A I'm only aware of, you know, our discussions with

15 Kik, and that they subsequently, in some manner, engaged

16 CoinTree, who we worked with.

17 **Q Okay.**

18 **Did they hire CoinFund, in part, for the**

19 **expertise CoinFund had in blockchain technology?**

20 A Yeah, I would say so.

21 MR. LEASURE: Anything else on this?

22 **Q Okay. Let me take that back from you.**

23 A (Hanging.)

24 **Q So what was -- at the time you were introduced to**

25 **Kik, what was Kik's business?**

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1 A My understanding is that, primarily, Kik's

2 business was the development of a chat application which

3 runs primarily on mobile devices called the Kik Messenger.

4 **Q And how was that business performing?**

5 A I don't know.

6 **Q Did you ever have occasion to discuss the**

7 **performance of the messenger business with people at Kik?**

8 A I'm not privy to the financial performance of

9 Kik.

10 You know, Ted Livingston, the CEO of Kik, has

11 made public statements about -- about how he views their

12 performance.

13 That is where I would draw my knowledge from

14 regarding their performance.

15 **Q Okay.**

16 **Did you ever -- in connection with**

17 **CoinFund's engagement by Kik, did you ever have occasion to**

18 **review Kik's financials?**

19 A I have never reviewed Kik's financials besides

20 some metrics around the Kik points program. I don't know if

21 that would even count as financials, but it's some internal

22 metrics of the company.

23 **Q Got it.**

24 **And the Kik's points, just so we are**

25 **clear, was a sort of prior experiment Kik had done with**

Page 33

1 **having some value system in the messaging app?**

2 A They had what amounts to a virtual currency, not

3 a blockchain-based virtual currency, but sort of points that

4 people were able to transfer internally in the app, is my

5 understanding.

6 **Q Did you ever have -- again, this is in connection**

7 **with CoinFund's engagement with Kik in 2017, did you ever**

8 **have occasion to review information or data about how --**

9 **about how the messaging app was performing?**

10 MR. ROSHKA: I'm sorry.

11 Do you understand the

12 question?

13 A Can you be a little more specific about what you

14 mean by "performing"?

15 **Q Sure.**

16 **Were people -- were user -- was the**

17 **messaging app's user base growing or declining? Did you**

18 **ever see that?**

19 A I never saw metrics on -- on the user base of

20 Kik, other than the statement -- well, like we have some

21 numbers like in the whitepaper which states sort of the

22 general number of registered and active users.

23 **Q Okay. Why did Kik -- Kik was considering doing**

24 **an ICO in early 2017, correct?**

25 MR. MITCHELL: Can I just go back?

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1 MR. LEASURE: Yeah.

2 MR. MITCHELL: Did you ever see metrics about

3 monthly average users, other daily average users?

4 THE WITNESS: To the best of my recollection,

5 besides those top level numbers, I have not seen

6 internal monthly metrics.

7 MR. MITCHELL: What is the -- what do you mean?

8 THE WITNESS: So just the fact that, you know,

9 Kik is an application with 300 million registered

10 users.

11 I believe that's a fact stated in the

12 whitepaper.

13 MR. MITCHELL: You can go on.

14 BY MR. LEASURE:

15 **Q So Kik was considering doing an ICO in early**

16 **2017, whether it should or shouldn't do an ICO?**

17 A I don't know what Kik was considering. From my

18 perspective, you know, Kik was considering building a

19 digital economy based around a cryptocurrency. There were

20 certainly -- there was certainly an ICO aspect to that.

21 I would not characterize the ICOs being the only

22 thing that they were considering.

23 From my perspective, they

24 were building a product.

25 **Q And were they considering using that product to**

Page 35

1 **raise money?**

2 A I wouldn't say so. I wouldn't say that they are

3 using the product to raise money. I would say that they are

4 raising money to build the product.

5 MR. MITCHELL: What's the product that you are

6 discussing?

7 THE WITNESS: In my understanding or in my

8 conception of Kin, the product is a decentralized

9 network which implements an economy around Kin

10 cryptocurrency in which any third party could

11 eventually participate.

12 MR. MITCHELL: Was that sometimes described when

13 you were working with Kik as the Kin ecosystem?

14 THE WITNESS: Yeah, I suppose you could put that

15 label on it.

16 MR. MITCHELL: And that, when you were just

17 saying Kik was -- you thought Kik was trying to create

18 a product, that was the product that you -- that you

19 had mentioned there?

20 THE WITNESS: Well, I mean, I think the ecosystem

21 is a sum of products, right? It might be the

22 integration of Kin inside of Kik's application. It

23 might additionally be the integration of Kin into

24 third-party applications, and together the sum of these

25 applications together with the decentralized network,

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1 implementing Kin, in my conception, would constitute

2 the product.

3 MR. MITCHELL: That Kik was creating?

4 THE WITNESS: That Kik was creating.

5 BY MR. LEASURE:

6 **Q Other than this product that Kik was creating, do**

7 **you know if Kik was considering alternative forms of capital**

8 **raising at the time?**

9 A To the best of my knowledge, they were not, or

10 I'm not aware that they were.

11 **Q So we're going to walk through the subsequent**

12 **months during the engagement CoinFund had with Kik.**

13 **Who were your primary contacts at Kik for that**

14 **engagement?**

15 A I would say they varied over time. I would say,

16 on our research engagement, our primary contact was Hayeon

17 Kim and Erin Clift.

18 I would say, for the subsequent engagement, we

19 worked variously with members of the executive team at Kik

20 as well as employees of Kik.

21 **Q Okay.**

22 **For the research project, your primary**

23 **contacts were Ms. Kim and Ms. Clift.**

24 **Do I have that right?**

25 A Yes.

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1 **Q What did they do at Kik?**

2 A It is my understanding that Erin was the chief

3 marketing officer of Kik, and I'm not sure the exact title

4 of Ms. Kim, but she reported to Erin.

5 **Q And just --**

6 A In my understanding.

7 **Q Sorry to interrupt you.**

8 **Help me understand. It sounds like they were**

9 **your primary points of contact for the CoinFund research**

10 **project; is that right?**

11 A That's correct.

12 **Q Why would they be the primary points of contact**

13 **in their roles?**

14 A I don't know. I did not make the decision to

15 make them the primary points of contact.

16 **Q Did you -- did you or others at CoinFund have**

17 **occasion to interact significantly with Mr. Livingston?**

18 A Yes.

19 **Q Okay. What was his role in the project?**

20 A Ted Livingston is the CEO of Kik.

21 **Q Correct.**

22 **And so what did he do on this project?**

23 A I mean, you know, as the CEO, he variously

24 participated in the project. I can't speak to specifically

25 everything, every little thing that he did.

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1 **Q Did he discuss CoinFund's research and analysis**  
2 **with you guys?**  
3 A He did not.  
4 **Q Okay. Why don't we pause on that. We will deal**  
5 **with that later in time.**  
6 **So --**  
7 MR. MITCHELL: Can I ask one follow up?  
8 MR. LEASURE: Please.  
9 MR. MITCHELL: Did Mr. Livingston know as much  
10 about the blockchain as you did?  
11 THE WITNESS: I don't know what Mr. Livingston  
12 knows about the blockchain. So it's hard for me to  
13 judge.  
14 BY MR. LEASURE:  
15 **Q Pulling back from Kik for a second. Let's talk**  
16 **more broadly about the state of the market for new coins in**  
17 **2017, ICOs, if we can use that term.**  
18 **How would you characterize the ICO market in**  
19 **2017?**  
20 A Can you be a little bit more -- can we talk about  
21 a more specific time frame?  
22 Because I feel like 2017 was  
23 quite an eventful year.  
24 **Q I would love it.**  
25 **And if you want to break it**

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1 **down sort of chronologically for me, that would be very**  
2 **helpful.**  
3 A Sure.  
4 **Q So we can start with the first half of 2017 or**  
5 **any subdivision of 2017 that works for you.**  
6 A Sure.  
7 I would say, as an observer of the market,  
8 I would say that in, you know, early to mid 2017, I would  
9 say blockchain technologies have won kind of a fair amount  
10 of mind share sort of in the world with various news  
11 articles coming out, you know, about ICOs or  
12 cryptocurrencies, having lived through the Dow events of  
13 2016.  
14 I think that was quite a newsworthy event published  
15 in the Wall Street Journal, among other things, that made  
16 people more aware of the space and drew interest to the  
17 space.  
18 I would say that, you know, at that time, I think  
19 people were just getting more excited to learn about these  
20 technologies and to understand cryptocurrencies. And the  
21 market was active.  
22 I would say companies were coming to the  
23 space to build products in blockchain.  
24 **Q Were new investments -- I'm sorry. Let me ask**  
25 **that in a better way.**

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1 **Were new investors or new money coming into this**  
2 **market that hadn't been there previously?**  
3 A Can you define new money? What does this mean?  
4 **Q Were new investors coming into this market that**  
5 **hadn't been in the market previously?**  
6 A When you say investor, do you mean a traditional  
7 institutional investor, do you mean a hedge fund?  
8 **Q I mean all of them. Go ahead.**  
9 A I would say that, you know, between mid 2016 and  
10 mid 2017, again, the market certainly garnered the interest  
11 of investors.  
12 In my experience and understanding, those  
13 kinds of investors were primarily early stage technology  
14 VCs, venture capitalists.  
15 **Q So to the extent there was -- was there more**  
16 **money being invested in ICOs than there had been previously?**  
17 A It's hard to say who was investing what money  
18 where.  
19 I can tell you, you know, looking at the market,  
20 if you plot the kind of graph of raises of ICOs, it  
21 certainly seemed that raises were increasing.  
22 **Q And did you know who -- we touched on this**  
23 **previously, but did you have a sense of the sources of that**  
24 **money coming into the market?**  
25 A By the nature of the technology, especially at

Page 41

1 that time, it would be very hard to know where the money was  
2 coming from.  
3 **Q So you don't know what was driving demand for**  
4 **coins in 2017?**  
5 A I'd rather not speculate as to what was driving  
6 demands for coins.  
7 **Q I'm not asking you to speculate.**  
8 **I'm saying, sitting here, you don't know what was**  
9 **driving demand for coins in 2017?**  
10 A How can I know?  
11 **Q So the answer is no?**  
12 A I think so.  
13 **Q Okay.**  
14 **Are you familiar with the term**  
15 **"cryptoenthusiasts"?**  
16 A I am.  
17 **Q Who are they?**  
18 A I would say cryptoenthusiast is a generic term  
19 for, you know, a person who takes an interest in  
20 cryptocurrencies and blockchain technologies.  
21 **Q And within that generic term, what sort of --**  
22 **what -- if I can ask you to construct an archetype of a**  
23 **cryptoenthusiast, how would you characterize a**  
24 **cryptoenthusiast?**  
25 A I'm not sure there is a characterization. I

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1 think people who take an interest in the space come from,  
2 you know, various industries and backgrounds. I don't know  
3 if there's a prototype.

4 **Q Sure.**

5 **In 2017, typically, would a**  
6 **cryptoenthusiast believe that the future was bright for**  
7 **crypto assets, for example?**

8 A I mean, there are many participants watching the  
9 market.

10 I'm sure some of them had bullish views, and some  
11 of them had bearish views.

12 There's a lot of literature, you  
13 know, of incredulity about blockchain.

14 There's a lot of  
15 literature that's excited about the future of blockchain.

16 **Q What motivated, to your knowledge,**  
17 **cryptoenthusiasts to purchase ICOs in 2017?**

18 A I can't speak to the motives of cryptoenthusiasts  
19 as a whole.

20 **Q Did CoinFund ever survey them?**

21 A We did.

22 **Q What were the results?**

23 A You know, is there a specific metric you're  
24 looking for? It's been a while since I have seen the  
25 survey.

Page 43

1 **Q I'm sorry.**

2 **CoinFund surveyed cryptoenthusiasts,**  
3 **correct?**

4 A We did.

5 **Q And they surveyed them about what motivated them**  
6 **to buy cryptocurrencies?**

7 A I believe we asked that question in the survey.

8 **Q And what were the results?**

9 A I don't recall off the top. I don't remember  
10 what the choices were.

11 **Q Okay. All right. I'm showing you a document**  
12 **previously marked as Exhibit 41.**

13 A Great. (Perusing.) Okay.

14 **Q What is this?**

15 A This is a tweet from CoinFund's Twitter account.

16 **Q Okay.**

17 **It's a tweet from, I think, correct me if**  
18 **I'm wrong, the date is June 1, 2017; is that right?**

19 A That's what it says on this printout.

20 **Q Okay.**

21 **Tell me about the CoinFund Twitter**  
22 **account.**

23 A CoinFund's Twitter account is our social media,  
24 probably primary social media account, that we use to sort  
25 of retweet or post news or, in this case, we did a poll.

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1 **Q Cool.**

2 **Who controlled, at the time, I guess this**  
3 **is June of 2017, who controlled the CoinFund Twitter**  
4 **account?**

5 A That would have been me.

6 **Q Did you post this tweet?**

7 A I believe I did.

8 **Q Okay.**

9 **Tell me about -- this appears to reflect,**  
10 **what is this, a Twitter poll; is that right?**

11 A I would say so, yeah.

12 **Q Tell me about that Twitter poll.**

13 A What would you like to know?

14 **Q Well, I guess CoinFund conducted a Twitter poll,**  
15 **correct?**

16 A That's correct.

17 **Q Why?**

18 A We were interested in gauging the sentiment of  
19 folks who would see this.

20 **Q And does this accurately reflect -- I take it**  
21 **this is an automatic -- let me ask this in a better way.**

22 **This accurately reflects the results of that**  
23 **Twitter poll; is that correct?**

24 A Well, this is the results --

25 **Q Correct.**

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1 A -- of the Twitter poll.

2 **Q Any reason to think this is inaccurate?**

3 A Inaccurate relative to what?

4 **Q Did you change or alter the results?**

5 A Oh. Did I alter the results? I did not alter  
6 the results.

7 **Q Of course not. Okay.**

8 A I wouldn't be able to if I wanted to.

9 **Q That's what I was trying to ask. Okay. I**  
10 **understand.**

11 **Would you agree that, at least according to this**  
12 **Twitter poll, that for cryptoenthusiasts, most of the token**  
13 **sale purchases they made at this time were not for future**  
14 **utilizations of the tokens on a platform?**

15 A I actually don't think I can draw that conclusion  
16 for a number of reasons.

17 **Q Why don't you walk me through them?**

18 A Well, because, number, one a cryptoenthusiast is  
19 not a well-defined concept. We have no guarantee that  
20 anyone is or is not. It's a totally subjective label,  
21 right? So who is or is not a cryptoenthusiast?

22 We have no guarantee that this poll reached  
23 crypto -- quote/unquote, cryptoenthusiasts, simply reached  
24 the people who were viewing our Twitter account. We have no  
25 guarantee that those people answered correctly or they

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1 didn't lie or falsify information or simply weren't paying  
2 attention as they answered the poll.

3 And, finally, the poll has 140 responses, which,  
4 for the purposes of most surveys, I would say, as a  
5 mathematician, is a fairly small sample.

6 **Q Sure.**

7 A I don't think we can draw any sweeping conclusion  
8 from such a poll.

9 **Q Sure. Let's walk through that.**

10 **You think the term, correct me if I'm wrong,**  
11 **"cryptoenthusiasts" is an ill-defined term; is that correct?**

12 A When you say "ill defined," what do you mean?

13 **Q I'm trying to paraphrase my understanding of what**  
14 **you said. So let me try again.**

15 **You don't think the term "cryptoenthusiast" has a**  
16 **clear --**

17 A I don't think it has a clear, unambiguous  
18 definition, no.

19 **Q Correct me if I'm wrong, CoinFund chose to use**  
20 **that term, correct?**

21 A Sure.

22 **Q Okay. And then --**

23 MR. MITCHELL: Why?

24 THE WITNESS: For the desire to reach, you know,  
25 as best that we could, this particular segment of

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1 have that survey in front of me, so I wouldn't be able to  
2 remember exactly the questions that were on it.

3 It's possible that we asked similar questions on  
4 that survey, but I'm not sure.

5 **Q So I hear your points on this is a Twitter poll**  
6 **with a certain number of respondents. I understand what**  
7 **you're saying.**

8 **And so I'm asking, are you aware of surveys or**  
9 **data that were done at the time that led -- that had**  
10 **different results?**

11 A Different results --

12 **Q Than what is reflected on --**

13 A I'm not sure that we asked this question on other  
14 surveys, as I said.

15 **Q That's fine.**

16 **And are you aware of anyone else doing that?**

17 A I'm not aware of anyone else doing that.

18 **Q Okay. We will take that back. Thank you.**

19 A (Hanging.)

20 **Q A couple other terms that we see in documents and**  
21 **in the literature. We see a term "cryptoinvestors."**

22 **Are you familiar with that term?**

23 A Yes.

24 **Q What is that?**

25 A I would say a cryptoinvestor is someone who

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1 people.

2 MR. MITCHELL: What segment of people?

3 THE WITNESS: Cryptoenthusiasts.

4 MR. MITCHELL: What does that mean?

5 THE WITNESS: Again, to me, that means people who  
6 were interested in blockchain technology and  
7 cryptocurrencies.

8 MR. MITCHELL: And at least when you wrote this,  
9 you thought cryptoenthusiast was the best term to use?

10 THE WITNESS: I would say, at this time, which is  
11 June of 2017, most people in the industry were  
12 cryptoenthusiasts, you know, as imprecise as that term  
13 is.

14 BY MR. LEASURE:

15 **Q Understood.**

16 **Did you ever rerun the survey?**

17 A Certainly not as -- I think this is the only  
18 Twitter poll of -- you know, reflecting this particular  
19 question that we run.

20 **Q Yeah.**

21 **And the broader question of, for**  
22 **cryptoenthusiasts, what motivated their purchases, are you**  
23 **aware of other surveys that you, being CoinFund or others,**  
24 **did in 2017?**

25 A I mean, we certainly did other surveys. I don't

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1 invests in cryptocurrencies and digital assets like  
2 ourselves.

3 **Q Like you guys at CoinFund?**

4 A I would say so.

5 **Q Okay. And I get that there aren't sort of crisp**  
6 **Webster's Dictionary definitions that distinguishes all**  
7 **these terms. I'm just asking for your help as someone who**  
8 **is in this space.**

9 **Are cryptoinvestors distinct or different from**  
10 **cryptoenthusiasts?**

11 A That's a really good question. I am not sure.

12 **Q Thank you. Okay. That's fine.**

13 **There is a term, I think, an import from the**  
14 **financial markets, "whale." I have seen it in some**  
15 **reference to the crypto space and the market for crypto**  
16 **assets in 2017.**

17 **Are you familiar with that term as applied there?**

18 A I am.

19 **Q What does it mean there?**

20 A I mean, I think the term crypto whale, is used in  
21 a variety of contexts, but, in general, it just simply  
22 refers to someone who has a lot of money.

23 **Q And is employing it in the crypto space -- I'm**  
24 **sorry. Let me ask that in a better way.**

25 **As applied to the crypto space, does it have a**



1 specific or --

2 A I mean, if you're a crypto whale, then I suppose  
3 you are in the crypto space.

4 Q And how did -- was there a sense of how they were  
5 participating in the space specifically in 2017?

6 A I don't keep track of how everyone participates  
7 in the space in 2017. I apologize.

8 Q The Kin offering, we have talked about sort of  
9 what the market -- actually, let me back up. I apologize.

10 When I first asked you to walk us through your  
11 characterization of the market for digital assets in 2017, I  
12 think you had said, I want to break it down chronologically  
13 over time, which is fine, obviously. But I'm not sure we  
14 got through.

15 Did we get through that chronology?

16 A So I believe we got through maybe the first half  
17 of 2017.

18 Q So then I apologize. I cut you off.

19 Can you resume it going forward?

20 A Sure. I think, you know -- so in the first -- in  
21 the first half of 2017, there's increasing interest in mind  
22 share of the technologies and sort of activities going on in  
23 the space, news media covering the space, banks doing  
24 research and development, excuse me, on blockchain  
25 technology.

1 I think 2017 was also the year where we saw some  
2 pretty large token sales or ICOs culminating in a market  
3 high at the end of the year.

4 Q And I believe the Kin offering took place or the  
5 sale of Kin tokens to the public took place in September of  
6 2017. I'll represent that to you unless you have another --

7 A To be quite honest, I don't remember the exact  
8 dates.

9 That sounds like approximately the right period of  
10 time.

11 Q And I'm not going to get hung up on exact dates  
12 today.

13 In -- having walked through the chronology of the  
14 market, where was the market when the Kin offering, let's  
15 say in the fall of 2017, September 2017, around that range,  
16 where was the market at that time?

17 A When you say "where was the market," are you  
18 referring to the market cap of the sum of all of the  
19 cryptocurrencies or --

20 Q Of course not. I don't need you to give me the  
21 market cap.

22 I'm saying, generally, how would you characterize  
23 the market for a digital asset like Kin as Kin was  
24 introduced to the market then?

25 A Are you asking me to evaluate the prospective

1 success of Kin as, you know, as an adopted currency or what  
2 specifically are you asking?

3 Q I'm asking you to characterize your understanding  
4 of how the market was performing then, and then I'm going to  
5 ask you, subsequent to that, how Kin fit into -- how Kin  
6 looked as compared to other digital assets being offered at  
7 that time.

8 Why don't we start with the first?

9 A You know, I seem to remember there was volatility  
10 in the market.

11 I don't recall what it was or to what extent  
12 it was happening.

13 I don't really recall the price of ether  
14 at that time.

15 It's checkable facts, but --

16 Q Sure.

17 A My sense it was a bit of -- there was a bit of a  
18 draw-down from kind of the highs of the summer, you know,  
19 preceding the subsequent high of the market at the end of  
20 the year.

21 Q Okay. And what did Kin, as it was introduced,  
22 look like in that space maybe compared to other digital  
23 assets being offered at that time?

24 A Well, I would say that Kik's project was -- was  
25 one of the first projects of its kind in the sense that most

1 cryptocurrencies that came onto the market before then were,  
2 you know, not created by a consumer technology company or a  
3 VC-backed kind of brand name company or you might say a  
4 large valuated company such as Kik.

5 So I would say that was a differentiator of Kin  
6 tokens as opposed to other cryptocurrencies.

7 Q I'm asking your sense, as someone who  
8 participated in this market at that time, did that  
9 differentiation that Kin was being offered by a more  
10 established, you know, consumer company, did that change the  
11 potential investor profile of someone who would be  
12 purchasing Kin?

13 A You know, it's hard to say how investors would  
14 react to that differentiator. I would say people had  
15 different views.

16 I think people might look at that as a  
17 positive thing, and I can think of reasons why. I would say  
18 other people would look at it as a negative thing, and I can  
19 think of reasons why.

20 Q Understood.

21 And we have been walking through your sense.  
22 Again, it's only just your subjective sense of how the  
23 market looked overall in 2017.

24 A Uh-huh.

25 Q What I'm trying to do is see if there was

1 something about Kin that made it unique or different, set  
2 apart from the broader trends going on in the crypto space  
3 at that time.

4 A I mean, I would say that, again, the fact that it  
5 was a project that was instantiated by a large, well-known  
6 consumer technology company was a differentiator.

7 Q Okay. Fair enough.

8 MR. LEASURE: Why don't we go off the record?

9 THE VIDEOGRAPHER: We are now off the record at  
10 10:14 a.m.

11 (James Murtha is present at the deposition at  
12 this time.)

13 (Recess taken.)

14 THE VIDEOGRAPHER: This is tape two of the  
15 deposition of Jake Brukman. We are now on the record  
16 at 10:25 a.m.

17 BY MR. LEASURE:

18 Q After a brief break during which, Mr. Brukman,  
19 you had no substantive conversations about this  
20 investigation with the SEC staff?

21 A Yes.

22 Q Great.

23 MR. MITCHELL: Just for the record, James Murtha  
24 joined us right before the break.

25 Q So I want to talk about CoinFund's early

1 A I believe that's a typo. I believe this document  
2 is from 2017.

3 Q I do that for the first three months of every  
4 year. I type the prior year. Okay.

5 I thought this might be helpful. If I can point  
6 you to page 3, that's 6185. It lists out a timeline.

7 Do you see that?

8 A Uh-huh.

9 Q I thought it might be helpful to walk through a  
10 few of these items.

11 The first one is Kik working session. And the  
12 purpose is to gain in-depth understanding of goals,  
13 financials and product features.

14 Did that happen, a working session?

15 A That happened, that's correct.

16 Q Cool. Tell me about that.

17 A When engaging in a research project with clients,  
18 we have often, as our first -- you know, as our first  
19 session, sat down with the team to understand what their  
20 goals are in creating such a project. We did this in the  
21 case of Kik.

22 Q Where did you do it?

23 A We did it at the Kik -- at Kik's New York office.

24 Q You've never been to their Ontario office?

25 A I have never been to their Ontario office.

1 engagement with Kik.

2 I understand that there was a research  
3 project undertaken for Kik; is that right?

4 A That's correct.

5 Q Why was that done?

6 A At the request of Kik, I suppose with the  
7 intention of understanding the blockchain market and  
8 prospective avenues for building a blockchain-based product  
9 within the company.

10 Q Let me walk you through what looks like an early  
11 document in the relationship.

12 This is a document that had  
13 been previously marked as Exhibit 52.

14 Take a look and let me know when you are ready.

15 I will identify Exhibit 52 as a document entitled "CoinFund  
16 Proposal for Research." It has the Bates stamp  
17 COINFUND6183.

18 A Uh-huh.

19 Q Do you recognize this?

20 A I do.

21 Q What is it?

22 A This is a proposal that we have sent to Kik  
23 Interactive proposing an engagement with them.

24 Q The document says it's from 2016.

25 Do you believe this is from 2017?

1 Q And I don't need a full list of the attendees,  
2 but you were there.

3 Who else was there?

4 A This is quite a while ago.

5 Q Sure.

6 A I want to say, I'm not a hundred percent sure, I  
7 want to say Alex Felix was there. I'm not a hundred percent  
8 sure.

9 Q How about on the Kik side?

10 A I remember that Erin Clift was there, and there's  
11 probably more than one person from Kik's side, but I do not  
12 recall specifically who that was.

13 Q Kik's office is in Brooklyn? Do I have that  
14 right or in --

15 A No. Kik's office is in Manhattan.

16 Q And you guys are in Brooklyn?

17 A Yes, that's correct.

18 Q Okay. Tell me about the discussion. What was  
19 discussed at that meeting?

20 A It was the CoinFund team asking the Kik team a  
21 series of questions to try to understand what they wanted to  
22 do in terms of building a blockchain-based product.

23 Q Got it.

24 So it was get to know Kik and what their  
25 goals were?



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1 A I would say so.

2 **Q There's a reference here to understanding the**

3 **financials.**

4 **We touched on this earlier, but from that**

5 **meeting, did you have a sense of the performance of Kik's**

6 **existing business line?**

7 A We did not. Despite the fact that, you know, I

8 wrote financials here, I don't believe financials were

9 discussed during this meeting.

10 **Q That's fine.**

11 **What was your sense, walking out of that meeting,**

12 **of why Kik was exploring at least entering the crypto space?**

13 A My sense, and probably how I would -- I conceive

14 of the Kik's project is that they were looking for

15 blockchain-based monetization strategy for their product.

16 **Q I'm sorry. Just to define terms. Monetization**

17 **strategy, what's that?**

18 A The model by which a business generates revenue.

19 **Q Oh, okay. So it may be blockchain is an**

20 **alternative model to generating revenue for the Kik**

21 **business? Is that what you mean by that?**

22 A No, I don't think so. I don't think that I would

23 characterize it as blockchain technology was generating

24 revenue for the business.

25 I would say it would still be the

Page 59

1 responsibility of the company to build a business, but using

2 a basis of this kind of technology.

3 **Q That makes sense. I appreciate that.**

4 **Okay. Let me keep on this timeline -- again,**

5 **this might be in the spirit of defining terms and**

6 **understanding what CoinFund did.**

7 **Item 2 is model discovery with the purpose to**

8 **propose several viable cryptoeconomic models.**

9 **Did that happen?**

10 A I would say that that happened in the course of

11 our research, and is probably -- it probably happened in the

12 course of our research.

13 **Q Okay. Is there a -- sorry. Because this talks**

14 **about a high-level document.**

15 **Is there a document where that model discovery**

16 **actually was done or did it proceed differently than that?**

17 A So we had, you know, in the research phase with

18 Kik, we had a deliverable document which you should have,

19 and I believe that that document includes some prospective

20 and hypothetical cryptoeconomic models.

21 **Q Got it. Okay.**

22 **Item 3, preliminary validation to understand the**

23 **market fit between Kik and cryptoinvestors and deliverable**

24 **is research and survey results.**

25 **We touched on that, and I might walk you through**

Page 60

1 **sort of a large document that I think might be the work**

2 **generated from that.**

3 **Before we do that, can you tell me about that**

4 **project for CoinFund and what you guys did?**

5 A Previously, you asked whether Kin -- the Kin

6 product or Kik's project would be -- would be well received

7 or poorly received by participants or cryptoenthusiasts, if

8 you will.

9 And the answer is that we didn't know. We wanted

10 to -- we wanted to perform research to understand whether

11 that particular market of people who were very used to

12 dealing with highly decentralized systems and

13 cryptocurrencies would find this kind of product a

14 compelling product, a product that was engendered by a

15 private company such as Kik.

16 **Q And, to me, that sounds like a tall order.**

17 **How did you guys go about doing that, figuring**

18 **that out?**

19 A We ran some polls and did some research and tried

20 to gauge the sentiment of -- of the folks in our industry.

21 **Q And I think we'll walk through a document or two**

22 **about that.**

23 A Sure.

24 **Q I just want to look at a few other items here.**

25 **We're going to turn -- item 5 references a first draft**

Page 61

1 **whitepaper.**

2 **Do you see that?**

3 A Uh-huh.

4 **Q We are going to turn to that in a second, but is**

5 **that something that CoinFund also worked on later in time?**

6 A Later in time, CoinFund collaborated with Kik

7 Interactive on drafting their whitepaper, that's correct.

8 **Q And, again, this is in the spirit of trying to**

9 **see, at a high level, what CoinFund did.**

10 **Is there other, for lack of a better word, stuff**

11 **that CoinFund did in the Kik engagement that's not listed on**

12 **this preliminary timeline? Can you think of anything?**

13 A You know -- you mean, in the course of the

14 research study?

15 **Q In the course of ever.**

16 A This is the scope -- you know, this proposal

17 describes the scope of our research study.

18 Are you asking about the research study phase or

19 are you asking about the subsequent phase?

20 **Q No. That's an excellent clarification. For the**

21 **research phase.**

22 A I don't believe that we did, you know, or at

23 least to my recollection, I don't think that there's

24 anything that we did outside of the scope that we had

25 proposed.

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1 So with one clarification, which is that after we  
2 did the initial research deliverable, Kik asked for  
3 additional research, and we provided additional research.

4 **Q Okay. Okay.**

5 **And then just to make sure we're**  
6 **understanding the overall work that CoinFund did, after the**  
7 **research phase, is it right that there was subsequent work**  
8 **that CoinFund did on behalf of Kik?**

9 A Well, subsequent to our research phase, we had a  
10 subsequent engagement with Kik with its own scope.

11 **Q And walk me through, at a high level, what**  
12 **CoinFund did in that subsequent phase.**

13 A Sure. I think CoinFund assisted Kik with the  
14 actual formulation of what the Kin product would be. We  
15 assisted with the drafting of the whitepaper.

16 So even though, you know, this -- this timeline  
17 says first draft whitepaper, the whitepaper phase didn't  
18 come until later, right?

19 **Q Sure.**

20 A So this was just sort of kind of a, if I'm not  
21 mistaken, one of the first volleys of our proposal. We  
22 might have actually subsequently had a different version of  
23 this proposal for the research phase.

24 Subsequently, the research phase, Alex Bulkin and  
25 myself worked very closely with the Kik team in Tel Aviv,

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1 And so there is a fair amount of technical  
2 thinking around what the correct technology would be.

3 **Q Okay. That was helpful. Thank you.**

4 MR. LEASURE: Do you guys have anything else on  
5 this document?

6 **Q Okay. I will take it back from you.**

7 A (Handing.)

8 **Q Okay. Let me show you what I think is the first**  
9 **iteration of the research project. You can tell me.**

10 **This is a document, it's long, previously marked**  
11 **as Exhibit 39. Now, take a look at Exhibit 39.**

12 **My first question is going to be what it is, and**  
13 **then I'm going -- you obviously take all the time you need.**  
14 **I'm going to point you to specific parts of this document**  
15 **because I recognize it's over 50 pages.**

16 A Right. So this appears to be the research  
17 deliverable for Kik, dated March 21, 2017.

18 I have not gone through every single page of this  
19 document to ascertain that it is exactly that document, but  
20 I believe it is.

21 **Q That's fine. I'm not asking you to do all that.**

22 **Who prepared this? I think you called it the**  
23 **research deliverable. Who prepared this?**

24 A This was prepared as a collaboration between the  
25 members of the Kik team -- excuse me -- the members of the

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1 along with some of the executives at Kik Interactive to  
2 define the product, to name the product, to understand what  
3 the use cases of this product might be, to decide whether,  
4 you know, it's a product solely kind in the discretion of  
5 Kik Interactive or, you know, an ecosystem that would  
6 involve third parties who could build applications on top,  
7 which is ultimately where the product ended up.

8 And we helped them with thinking about the Kin  
9 Rewards Engine.

10 Basically, I would say Kin Rewards Engine  
11 is a cryptoeconomic centralized system that is able to  
12 reward participants that utilize the cryptocurrency in the  
13 economy of Kin tokens.

14 We thought through some technical problems around  
15 how such a Kin Rewards Engine might work, and it's a fairly  
16 significant technical problem.

17 Sorry. I lost my train of thought there.

18 We, you know, recommended sort of architecture,  
19 you know -- the Kik technology team had questions about  
20 things like scalability rates. So one thing that  
21 differentiates Kik from previous projects that came before  
22 is that Kik has a user base of 300 million users. You know,  
23 this necessitates more scalable technology, right?

24 And so as we saw subsequently in 2017, Ethereum  
25 is not actually the most scalable technology.

Page 65

1 CoinFund team.

2 **Q Right. And just -- the title of it is "Token**  
3 **Integration Research."**

4 **Can you explain to me what integration means in**  
5 **this context?**

6 A You know, recognizing that this was a very early  
7 document in the project, before we had a clear conception,  
8 which only came many months later, about what the product  
9 is.

10 This was sort of looking at the potential of  
11 integrating a cryptocurrency or token, if you will, into  
12 Kik's product.

13 Hence, it's called token integration  
14 research.

15 **Q Got it. I'm going to walk you through specific**  
16 **sections, but I want to talk about what appears to me to be**  
17 **actually two separate surveys that CoinFund undertook.**

18 **Does that ring a bell for you?**

19 A I would have to take a look at the specific  
20 surveys.

21 **Q That's fine.**

22 **I'm going to drill down on these, but let me**  
23 **point you to, if I can only find it, the one that I see is**  
24 **on page 19 of this document that has 7709 stamped on the**  
25 **bottom?**

Page 66

1 A Yep.

2 **Q Correct me if I'm wrong. This describes a survey**  
3 **that appears -- that CoinFund sent out via social media; is**  
4 **that correct?**

5 A Do you mind if I just take a look at the page to  
6 ascertain?

7 **Q Absolutely. I was pointing particularly to the**  
8 **methodology at the beginning section, but take your time.**

9 A So this states that, "CoinFund conducted a public  
10 and open-source survey in the blockchain research and  
11 investment community targeting a set of people who are  
12 knowledgeable and experienced in the issues surrounding  
13 blockchain-based decentralized crowdfunding and known as  
14 cryptoinvestors."

15 **Q So let me pause on that.**  
16 **Obviously, one of the reasons we wanted to talk**  
17 **to you, we can see what it says, tell me about what you**  
18 **remember about this survey.**

19 **How was it done? How was it**  
20 **conducted?**

21 A To the best of my recollection, the survey was  
22 conducted, put together, you know, primarily, I believe, by  
23 myself, in a sense that I authored, I think, questions of  
24 the survey.

25 It's possible that I got feedback on the forms

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1 of those questions from my team. It's hard to recall.

2 Subsequently, the survey was materialized as a  
3 Google forum.

4 It was posted on sort of our social media  
5 channels, and basically open to the public for -- for  
6 responses.

7 **Q And the goal of this survey was -- I'm trying to**  
8 **integrate this with what you said earlier, so correct me if**  
9 **I'm getting this wrong.**

10 **The goal of this survey was, on behalf of Kik, to**  
11 **see if there would be interest in a coin being issued by an**  
12 **established consumer technology company?**

13 A Well, I would say more generally that its goal  
14 was to understand whether a blockchain product, created by  
15 an established traditional technology company, would find  
16 product market fit with -- within the participants of our  
17 industry.

18 **Q Okay.**

19 MR. MITCHELL: What kind of fit were you -- when  
20 you say "fit," what do you mean?

21 THE WITNESS: I mean, I think I generally mean  
22 whether -- whether the people in blockchain would  
23 accept such a product, like whether they would use a  
24 product, whether they would trade the coin, whether  
25 they would use the product in general.

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1 MR. MITCHELL: And I can see in the document that  
2 you were just looking at that there's a discussion of  
3 blockchain-based decentralized crowdfunding.

4 Were you looking to see whether people would  
5 participate in a blockchain-based decentralized  
6 crowdfunding with the kind of company you were thinking  
7 about?

8 THE WITNESS: I mean, I would say, at the time,  
9 there were a number of projects undertaking  
10 decentralized crowdfunding, and one of the goals was to  
11 understand whether participation in the crowdfunding,  
12 which I view as a -- as a fundamental piece of the  
13 project sort of moving forward, right, you know, would  
14 be amenable to the participants of the industry.

15 MR. MITCHELL: And if it was amenable, people  
16 would buy the coin or the token?

17 THE WITNESS: It seems to me that, in order for  
18 something to be amenable, you don't necessarily have to  
19 have a participation in the crowdfunding. It's just a  
20 measure of sentiment.

21 MR. MITCHELL: Okay.

22 BY MR. LEASURE:

23 **Q Understanding that CoinFund has limited**  
24 **resources, Kik has limited resources, did you think that**  
25 **this was a good sample to take at the time?**

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1 A I mean, I think we did our best to get as many  
2 respondents as we could.

3 According to this document, we got  
4 223 responses.

5 I would say, overall, that's a fairly small  
6 sample size.

7 **Q Right.**

8 **I think you, in fact, you or CoinFund, I**  
9 **don't want to say who wrote what, I don't know, but I think**  
10 **in one of the caveats you give is it was a small sample**  
11 **size, right?**

12 A This is what it says under caveats, correct.

13 **Q And I also take it Kik wasn't out at this time.**  
14 **In other words, you didn't identify Kik as the specific**  
15 **company?**

16 A Absolutely not.

17 I believe that would have  
18 constituted a breach of our NDA with Kik if we identified  
19 them.

20 **Q So you did not.**

21 **How did you identify -- do you remember what was**  
22 **said about the company?**

23 A I don't remember the specific language used in  
24 the survey.

25 I'd have to look at the survey to recall, but

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1 from what I recall, I alluded to probably using words like,  
2 sort of a well-known brand or a traditional consumer  
3 technology company or a company in social media or  
4 communications with a large user base.

5 **Q Got it.**

6 **We don't have it in front of us, but**  
7 **whatever term you used, I take it the goal was to give**  
8 **some -- Kik -- something usable to Kik or relevant to Kik**  
9 **without identifying Kik itself?**

10 A I think the goal of the survey was to measure the  
11 sentiment of these enthusiasts, as how they would react to a  
12 cryptocurrency created by a company under such a  
13 description.

14 As we have covered, Kik was not identified in the  
15 survey, and it's -- I mean, the goal, I think, was to -- was  
16 to measure a sentiment in general.

17 **Q Got it.**

18 **And I don't want to linger on the sample**  
19 **and the survey, but in terms -- there's the group that was**  
20 **sampled here, 223 responses in March, correct? And then**  
21 **there's a larger group of people, thousands, who ultimately**  
22 **bought Kin tokens in, what, six months later, five months**  
23 **later in September?**

24 **Do you have any reason, either way, to know**  
25 **whether the group surveyed materially differed from the**

Page 71

1 **group that ultimately purchased tokens in September?**

2 A You know, I would say I have no way of knowing  
3 whether those groups intersected at all or otherwise. I  
4 don't want to speculate on the constituency of those groups  
5 because I simply don't know.

6 **Q No. And I don't want you to speculate,**  
7 **obviously.**

8 **Is there any reason you have, sitting here today,**  
9 **to think that this sample failed to -- let me ask that in a**  
10 **better way.**

11 **Do you have any reason to think that this sample**  
12 **was materially skewed or didn't accurately capture a similar**  
13 **group of people who might have purchased the token in**  
14 **September?**

15 A It could have easily been skewed. I have no  
16 identifying information in the course of conducting the  
17 survey of anyone who participated in the survey. It would,  
18 you know, sitting here right now, it would be impossible to  
19 determine whether the group of token sale participants  
20 subsequently and the group of surveyed participants were  
21 even remotely the same group. It's quite possible.

22 **Q I mean, obviously, it's 223 here, and I think**  
23 **several thousand several months later.**

24 A Sure.

25 **Q I'm just asking if there's any demographic or**

Page 72

1 **other information you have, sitting here today, that tells**  
2 **you whether there was a skew between one group or the other?**

3 A Sorry. When you say "skew between one group or  
4 the other," can you clarify what you mean?

5 **Q That one group drew from a different set of the**  
6 **population versus another.**

7 A Like I said, I just have no information  
8 whatsoever about the constituency of either group.

9 **Q That's fine. That's all I'm asking.**

10 **I want to walk through the results of this**  
11 **survey.**

12 **Again, I think there might have been an additional**  
13 **smaller survey taken, which I'll then walk you through, but**  
14 **I just want to make sure we're not confusing the two.**

15 **If I can point you to page 25 of this document.**  
16 **That's with Bates stamp 7715. It has user versus investor**  
17 **interest.**

18 A Uh-huh.

19 **Q This states, "In the survey, we interviewed**  
20 **cryptoinvestors and expected that most respondents would be**  
21 **interested in the investment side of the token proposition."**  
22 **It then provides some detail and some data.**

23 **Was this an accurate -- sitting here today, do**  
24 **you think this was an accurate recitation of the results of**  
25 **that survey?**

Page 73

1 A I would say that, since I used the results of  
2 that survey to construct this particular section of the  
3 document, then I would think that it is a -- it is an  
4 accurate representation of the survey results.

5 **Q Okay. Sure.**

6 **Did you ever re-perform this survey subsequent to**  
7 **March?**

8 A I don't believe we did.

9 **Q Okay.**

10 MR. LEASURE: Anything else on that?

11 **Q Let me point you -- again, and this is sort of in**  
12 **the spirit of being -- of clarifying. Let me point you to**  
13 **the next page, page 26. That's 7716.**

14 **This is a CoinFund cryptoinvestor panel.**

15 A Uh-huh.

16 **Q And under methodology it states, "In March,**  
17 **CoinFund interviewed ten experienced cryptoinvestors,**  
18 **blockchain founders, and analysts from our community**  
19 **regarding a prospective client looking at integrating crypto**  
20 **tokens into their consumer technology application."**

21 **Again, this is why I wanted to clarify there**  
22 **might have been different work streams.**

23 **Does that appear right to you?**

24 A I'm not sure I understand the question.

25 **Q This is different from the survey posted on**

Page 74

1 social media that we just reviewed, correct?

2 A I believe you're correct. I believe you alluded  
3 to two parts of the survey research. One part was a public  
4 anonymous survey, which we just discussed. Another part is  
5 the panel documents that are in front of us right now.

6 **Q Tell me about this second part, the panel work  
7 that was done.**

8 A Sure.

9 The goal was to -- the goal was exactly  
10 the same as the other survey. The goal was to ascertain  
11 sentiment of cryptoinvestors.

12 However, these investors are obviously, first of  
13 all, not anonymous, and are fairly well known in the  
14 industry and have a fair amount of expertise in the  
15 industry.

16 **Q So as I understand it, the Kin offering was  
17 ultimately conducted via a private sale to accredited or  
18 larger investors, and then a subsequent public sale; is that  
19 correct?**

20 A To the best of my understanding, I believe that's  
21 correct.

22 **Q And that's fine.**

23 I'm asking to then say, was there some effort in  
24 doing this research project to survey both the potential  
25 market for private sale and then a market for a public sale?

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1 A I would say no. I would say my goal in reaching  
2 out to knowledgeable, you know, members of the community was  
3 to get a measure of their sentiment specifically about the  
4 issue of whether a traditional consumer technology company,  
5 as a newcomer to the industry, would fare well as a product  
6 in the industry.

7 **Q Understood.**

8 **Why reach out, in addition to sort of an  
9 anonymous public survey, why reach out to experienced  
10 cryptoinvestors?**

11 A Simply because these folks tend to study our  
12 industry every day. They have some excellent context into  
13 what kind of products might work and what kind of products  
14 might not.

15 Whereas, anonymous respondents on social media  
16 might not have the same expertise.

17 **Q Okay.**

18 So -- again, this is an outsider like me  
19 reading this.

20 I read this as potentially an effort to gauge  
21 interest from experienced cryptoinvestors in a private sale.

22 **Is that -- am I wrong about that?**

23 A I'm sorry. Can you repeat the question?

24 **Q Sure.**

25 I, as an outsider, read it as there was a

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1 separate effort to have a cryptoinvestor panel to possibly  
2 gauge private sale or accredited investor interest. Is that  
3 incorrect?

4 A The goal was not to solicit investment from these  
5 gentlemen and lady, and mostly gentlemen. The goal is to  
6 measure sentiment.

7 **Q I'll let it go.**

8 **Let me point to the panel highlights and summary  
9 also on page 26.**

10 **I want to point you to 2A. "Respondent  
11 cites several concerns that were also reflected in the  
12 general survey."**

13 **And the first one listed there, A, "Whether the  
14 company is in it for the long haul and is willing to make a  
15 commitment."**

16 **What does that mean "whether the company is in it  
17 for the long haul"?**

18 A I'm sorry. Where are you reading?

19 **Q Oh, I apologize. The bottom of page 26.**

20 A Oh, I see. So the very last item.

21 **Q So it looks like you're highlighting several  
22 concerns, "Respondent cites several concerns that were also  
23 reflected in the general survey."**

24 **Do you see that?**

25 A I mean, I would say, in the ICO space, there's a

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1 healthy amount of skepticism around, which persists today,  
2 around whether companies are doing these kinds of offerings  
3 for the reason that they are building -- that they are  
4 building kind of long-term sustainable products versus  
5 whether they're trying to, you know, make a quick buck on  
6 the market.

7 I think, unfortunately, in our industry, we have  
8 seen examples of both, and I think that this would be a  
9 reasonable concern when you are faced with a kind of  
10 newcomer company like Kik, as we keep mentioning, someone  
11 who has not operated in the space before and is a  
12 traditional consumer technology company, really being the  
13 first major one to undertake such a strategy. I don't think  
14 it would be unreasonable for respondents to have that  
15 concern, and that concern was highlighted in the course of  
16 us measuring their sentiment using this survey.

17 **Q Got it. Let me see if I understand that  
18 sentiment.**

19 **The concern or the worry among potential  
20 participants in a token offering would be that a company,  
21 you know, raises funds, issues a coin, and then doesn't  
22 support or do work to support that coin in the future; is  
23 that right?**

24 A Well, you know, I would say -- I would say  
25 historically, right, there have been cases where founding

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1 teams of cryptocurrencies have collected funds simply to  
2 disappear with them, right?

3 So there's always, you know, especially during  
4 this time period, there's always sort of a taste of that.  
5 There's a recollection of that in the market.

6 I think people are generally cautious. From my  
7 perspective, I think that actually, at the end of the day,  
8 the fact that Kik was an established company with users,  
9 with well-known investors actually increased its case for  
10 being a good player in the market. And, you know, having a  
11 ton of experience over the course of almost a decade and  
12 launching products was a high probability company to  
13 actually launch a useful and good product.

14 However, what is reflected here in this 2A that  
15 we are looking at is, I think, a reasonable concern from  
16 participants in the market who have seen, you know, these  
17 kinds of offerings, who have seen bad offerings and good  
18 offerings, and are trying to evaluate a new kind of offering  
19 that is coming to market.

20 And so I think it's a legitimate concern to say,  
21 is this company, you know, in this for the right reasons.

22 MR. MITCHELL: I guess I don't understand. Why  
23 were they concerned? Sorry.

24 So their concern was about -- was about  
25 whether -- whether the -- their concern was about sort

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1 finish delivering the product, and that would impact  
2 kind of the economics of the cryptocurrency.

3 MR. MITCHELL: You just said during this stage.  
4 What stage were you referring to?

5 THE WITNESS: Well, this is the earliest stages  
6 of building such a product.

7 MR. MITCHELL: So --

8 THE WITNESS: The design stage of the product.

9 MR. MITCHELL: Is that stuff -- was Kik still in  
10 that design stage sort of end of 2017, early 2018?

11 Let me ask the question again.

12 Was the design stage done when they sold the Kin  
13 tokens?

14 THE WITNESS: I'm not sure because, you know,  
15 frankly, that would be kind of an internal  
16 determination whether something was done, and I'm not  
17 privy to what --

18 MR. MITCHELL: Did you think that the design  
19 stage was done in, say, September 2017?

20 THE WITNESS: I think, as a product, I think it  
21 has a multi-year roadmap of development. I think any  
22 given year, a third party can come into this ecosystem  
23 and build new products.

24 So, in a way, it's never done. In a way, it's an  
25 ongoing process to -- to get the ecosystem into a place

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1 of what would happen after the sale, like what would  
2 happen after the token sale?

3 THE WITNESS: I would characterize it as follows.  
4 You know, when you're talking about cryptocurrencies in  
5 general, you are talking about decentralized systems  
6 that do not have a central issuer, that do not have a  
7 central point of control.

8 And, therefore, they do not  
9 have the risk that, for example, some centralized  
10 company might go out of business, and the fact of  
11 that -- of that happening would impact the price of the  
12 cryptocurrency.

13 Like to be explicit, like, there's no company  
14 that can go out of business that will directly impact  
15 the price of bitcoin. I would say, in my estimation.

16 That is not the case with Kin tokens in the sense  
17 that differentiating from a fully decentralized  
18 cryptocurrency at this stage of the development,  
19 because, over time, I think the Kin ecosystem does  
20 become a fully decentralized ecosystem, but in this  
21 stage of the -- of the process, I think Kin would be  
22 dependent on Kik. They are -- they are the builder of  
23 this -- of this product.

24 And so if the company is not in it for the long  
25 haul, right, it might mean that they -- they don't

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1 where it's functioning.

2 MR. MITCHELL: That's what I'm trying to  
3 understand.

4 Had that work all been finished by the time that  
5 Kik sold the tokens in September?

6 THE WITNESS: So it would be the case that  
7 probably by the time that they sold the token, like  
8 they didn't have the same partners that they have  
9 today.

10 MR. MITCHELL: Did they have a Kin Reward Engine  
11 at that time?

12 THE WITNESS: I don't know.

13 MR. MITCHELL: Thank you.

14 BY MR. LEASURE:

15 **Q I can point you to it on page 36. That's with**  
16 **Bates stamp 7726. It looks like CoinFund did a section**  
17 **called Raise Prospects.**

18 A Uh-huh.

19 **Q You are obviously welcome to walk through that,**  
20 **but why was that a part of this research?**

21 A I would say -- I would say, you know, like the  
22 market was in an interesting time, as we mentioned before  
23 during this conversation, that the size of token sale or ICO  
24 raises was increasing and this model, you know, came from a  
25 desire to try to estimate how much the sale could



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1 potentially raise in that context.

2 I mean, that's a piece of research that is  
3 interesting to us as market observers. It would naturally  
4 be interesting to Kik.

5 **Q Sure.**

6 **Kik wanted to know, if we go ahead with  
7 this, how much can we realistically expect to raise,  
8 correct?**

9 A I mean, they could potentially use that  
10 information in that way. I don't know that they did, but...

11 **Q Okay.**

12 **I think that's all I have on this  
13 document.**

14 MR. MITCHELL: Did you discuss this -- let me ask  
15 a super basic question.

16 CoinFund gave this document to Kik?

17 THE WITNESS: Excuse me?

18 MR. MITCHELL: CoinFund gave this document and  
19 this research to Kik?

20 THE WITNESS: I believe we delivered the research  
21 to Kik.

22 MR. MITCHELL: And did you discuss it with anyone  
23 at Kik afterwards, the research in this report?

24 THE WITNESS: It's possible. I don't have a  
25 specific recollection of specifically discussing any

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1 reviewed.

2 **Q Okay. Okay. Let me show you the additional  
3 piece of research deliverable.**

4 **Yeah.**

5 **This is an exhibit, maybe on point, that  
6 could be helpful. It's Exhibit 53.**

7 **Exhibit 53 is a one-page e-mail, and I will tell  
8 you my understanding is there was an attachment to it that I  
9 have included on the back page.**

10 **The e-mail is from March 24, 2017, with the  
11 subject "Additional questions." And it has Bates stamp  
12 COINFUND9764.**

13 A Uh-huh.

14 **Q Tell me when you're ready. My first question --**

15 A Please go ahead.

16 **Q -- is what is this document?**

17 A This is an e-mail from the CFO of Kik, Peter  
18 Heinke, to myself.

19 **Q And others?**

20 A And others, yeah, sure. And, you know, others on  
21 the Kik team, stating that they had, you know, additional  
22 questions and would like to -- let's see here -- would like  
23 to consult with us on those questions.

24 **Q And these were questions in response to the  
25 research deliverable CoinFund had provided; is that right?**

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1 section of this document after delivery.

2 MR. MITCHELL: Did any of the Kik folks tell you  
3 how they used it?

4 THE WITNESS: They did not.

5 BY MR. LEASURE:

6 **Q Did anyone at Kik disagree with the analysis you  
7 provided?**

8 A Not to the best of my knowledge.

9 **Q That's fine.**

10 **Sorry.**

11 **One quick question. And going backwards  
12 a bit to the survey, to the public that was incorporated  
13 into this survey, not the -- not the panel of ten  
14 cryptoinvestors, but to the public. Those were anonymized  
15 survey results?**

16 A To the best of my recollection, the survey did  
17 not collect identifying information about the respondents.

18 **Q Great. I will take that back. Thank you.**

19 A (Handing.)

20 **Q Did Kik ask additional questions in response to  
21 the research we just reviewed?**

22 A Yes, I believe they did. I believe they had an  
23 additional ask for us, which was reflected in an additional  
24 piece of research that we delivered to Kik subsequently to  
25 delivering the initial deliverable that we have just

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1 A I don't think anything in this e-mail indicates  
2 that, but I would say this -- you know, I would say, in the  
3 course of doing the project, Kik had a number of questions  
4 and this was a subsequent set of questions that they wanted  
5 to consult with us on.

6 **Q I agree it's not vital, but I think the research  
7 deliverable was dated March 21.**

8 A I believe that's correct.

9 **Q Just for context, she references -- Peter says,  
10 "Hi, Jake. Thanks for the call today."**

11 **What was discussed on that call?**

12 A I don't recall.

13 **Q Okay.**

14 **He writes, "There are two areas we would  
15 like to proceed with in parallel. One, additional  
16 questions. In order to be ready for our board meeting,  
17 there are still some additional questions we would like to  
18 have answers for or at least a framework as to what needs  
19 more in-depth work and analysis and would be part of your  
20 next phase."**

21 **Let me pause there.**

22 **Were your research results shared with Kik's  
23 board?**

24 A I don't know.

25 There must be an e-mail where we

1 send our final deliverable to Kik. Whoever would be on that  
2 e-mail, you know, then we can verify that they received the  
3 report.

4 What they did with the report subsequently to  
5 receiving it, I don't have information on.

6 **Q That's fine.**

7 **Did you attend the Kik board meeting?**

8 A I never attended a Kik board meeting.

9 **Q Did people at Kik say or tell you we are going to**  
10 **share your analysis with our board?**

11 A Not to the best of my recollection.

12 **Q I have to ask the converse.**

13 **Do you have any reason to believe they didn't**  
14 **share the research with the board or --**

15 A I couldn't know.

16 **Q So, on the back, we see some questions, and I**  
17 **think we'll see a research deliverable.**

18 **Let me just point you to one of these questions.**  
19 **There's obviously a lot of questions here, and I don't want**  
20 **to walk through all of them, but number 9, how much effort**  
21 **is it to manage this in perpetuity, is this outsourced or do**  
22 **we build?**

23 **Was there a discussion with Kik about how much**  
24 **effort it would take to build this thing -- to build this**  
25 **thing -- to build a Kin ecosystem?**

1 A I'm not sure what "this," the word "this" refers  
2 to. So let me take a minute to review the document, if  
3 that's okay.

4 **Q Please do. I'm not sure I do either. I might be**  
5 **asking you that.**

6 A (Perusing.) After reviewing the document, it --  
7 to me, it's very ambiguous what Peter is asking here. I'm  
8 sure it was ambiguous to me at the time I received it as  
9 well.

10 So it's hard for me to answer the question of, I  
11 guess, what he means by this. He could be referring to any  
12 number of things with respect to the project.

13 MR. MITCHELL: I don't think that's where Jeff  
14 was trying to go.

15 Putting the document down, did you have  
16 conversations with Kik about how much effort it would  
17 take to create the product that you described earlier?

18 THE WITNESS: I'm sure we did. Essential  
19 question would be, you know, in such a product, would  
20 be, you know, what do we need to implement, what  
21 blockchain do we need to use, how many engineers should  
22 we hire to do this, right?

23 So I'm sure we had conversations. I can't recall  
24 a specific conversation to that effect.

25 MR. MITCHELL: Why is the choice of blockchain

1 important?

2 THE WITNESS: Various reasons. It affects, for  
3 example, the viability of being able to build a  
4 particular kind of application, to support a particular  
5 level of throughput. Many technical reasons why you  
6 would choose one blockchain over another.

7 MR. MITCHELL: So picking the blockchain -- so  
8 picking between different blockchains is actually like  
9 a decision that somebody has to make?

10 THE WITNESS: Absolutely. Every project has to  
11 make such a decision.

12 Some projects build their own  
13 blockchain.

14 MR. MITCHELL: Sorry.

15 You think that -- sorry --  
16 I'm trying to -- that would be important to sort of the  
17 outcome of a project or outcome of picking the  
18 blockchain is?

19 THE WITNESS: Well, in the sense that, you know,  
20 riding a horse or riding a Mercedes is important to how  
21 you get to a place in the same way your choice of  
22 technology is important to whether your project works  
23 and operates correctly, whether your product is  
24 adoptable by users and probably many other factors.

25 MR. MITCHELL: I apologize if I'm asking a very

1 basic question.

2 And that's because different blockchains work  
3 differently?

4 THE WITNESS: Absolutely. Different blockchains  
5 have different, like, pricing for transactions. They  
6 have different speeds.

7 They have different finality  
8 times. I mean, I can go for 12 points about how they  
9 differ.

10 MR. MITCHELL: Yeah, you'll lose me before you  
11 get there. And so -- okay. That's great. Thank you.

12 BY MR. LEASURE:

13 **Q I think I will take that back from you.**

14 A (Hanging.)

15 MR. MITCHELL: Can I ask one other question about  
16 the blockchain, though?

17 What sort of -- once a project is going, can't  
18 the people who, sort of the decentralized community,  
19 get together and then just sort of change the  
20 blockchain?

21 THE WITNESS: The general answer is it highly  
22 depends on the facts and circumstances of every  
23 individual blockchain.

24 In certain blockchains, that  
25 might be possible through a decentralized governance



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1 system.

2 And in other blockchains, like bitcoin, it  
3 would be extremely hard to change the state of the  
4 blockchain, at least outside of the rules of how the  
5 status changed.

6 MR. LEASURE: Can we make it specific to the Ken  
7 offering, then?

8 MR. MITCHELL: Yeah.

9 BY MR. LEASURE:

10 **Q Just so when Kin was offered to the public,**  
11 **again, I'll represent to you was September of 2017, what**  
12 **blockchain was it on?**

13 A So I believe Kin was anticipating being an ERC20  
14 token on the Ethereum blockchain.

15 **Q Got it.**

16 MR. MITCHELL: And so can everybody on the  
17 Ethereum -- could people have gotten together and just  
18 sort of -- let me start over.

19 Could the decentralized community have gotten  
20 together and just moved Kik -- the Kin tokens off the  
21 Ethereum blockchain?

22 THE WITNESS: That has never happened -- well, it  
23 kind of depends on what you mean, I suppose.

24 Would the holders of Kin tokens be able to, you  
25 know -- you know, as a group, unilaterally make such a

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1 worked with CoinFund's counsel to try and get some of them.  
2 We're trying not to be overly burdensome and asking for  
3 every Google document. I think the attachments here at  
4 least reflect the consolidated questions documents, and  
5 maybe some of the other ones as Google documents.

6 Does that make sense?

7 A That would make sense to me.

8 **Q Okay. The subject here is additional research**  
9 **deliverables.**

10 What is this document?

11 A So, as we saw previously, you know, Peter had  
12 written us and asked us for additional -- an additional  
13 consultation around some of the questions that he posed in  
14 an attachment to the previous e-mail. This is a response to  
15 that attachment.

16 **Q Got it. Okay.**

17 A I believe this is the response.

18 **Q That's fine.**

19 Again, this is a long document. I just want to  
20 point you to various sections, okay?

21 A Uh-huh.

22 **Q If I can point you to the page with the stamp**  
23 **19855. It is, in fact, the page you are on.**

24 A That's correct.

25 **Q It looks like Peter asked, correct me if I'm**

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1 decision? No.

2 MR. MITCHELL: Okay.

3 BY MR. LEASURE:

4 **Q Cool. I think this relates to the document we**  
5 **just saw, but maybe you can tell me.**

6 This is a document previously marked as  
7 Exhibit 54. Here you go.

8 Exhibit 54 is an e-mail printout with one of the  
9 attachments.

10 A Uh-huh.

11 **Q Well, maybe more of the attachments.**

12 A Uh-huh.

13 **Q The e-mail is dated April 3, 2017, from Jake**  
14 **Bruckman to people at Kik, and an e-mail address at**  
15 **CoinFund.**

16 It has the Bates stamp COINFUND20091. And let me  
17 just represent some things to you.

18 The attachment begins on 19854. I will represent  
19 to you we -- I think these are -- the links you see in the  
20 e-mail are Google documents.

21 Is it right that, in sharing documents with Kik,  
22 CoinFund would sometimes use -- exchange Google documents  
23 and links to Google documents with Kik?

24 A That's correct.

25 **Q All right. I will just represent to you we have**

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1 wrong, there's 3/23 questions from Peter, "What is the  
2 structure of economy and mapping of all stakeholders both  
3 primary, market participants and secondary?"

4 It looks like CoinFund -- is this a chart  
5 prepared by CoinFund laying out the potential token sale  
6 participants?

7 A I would say this is a chart, and it's certainly  
8 prepared by CoinFund.

9 **Q Okay.**

10 A And I believe that it is, you know, more or less  
11 a standard diagram of how token sales, using a smart  
12 contract, were conducted at the time.

13 It shows the issuer, Kik Interactive. It shows a  
14 yellow square for the smart contract it represents and  
15 implements the token sale.

16 And it has two circles that  
17 identifies private investors which, in my mind, translates  
18 to institutional, accredited private investors, and also  
19 cryptoinvestors, in general.

20 And it has arrows showing that, you know, some of  
21 the token supply moves to the issuer as a hold-back. Some  
22 of the token supply moves to the investors in exchange for  
23 their buy-in into this token sale.

24 You know, I would say this diagram is  
25 representative of, you know, many, many, many ICOs that were

1 conducted at that time in this manner.

2 **Q Got it.**

3 **This wasn't reinventing the wheel by**  
4 **CoinFund. This was a standard model at the time?**

5 A It's not even -- I wouldn't even say it's even a  
6 standard model. I would say this is simply a description of  
7 what we saw was happening in the market.

8 **Q Understood.**

9 **This contemplates a structure where there was a**  
10 **private commitment by private investors, and then or -- and**  
11 **a buy-in by cryptoinvestors, correct?**

12 A Uh-huh.

13 **Q Okay.**

14 **Specifically for the Kin offering, when**  
15 **was it decided to go with a model where there would be a**  
16 **sale to private investors and a sale to cryptoinvestors?**

17 A So, actually, I want to clarify it, now looking  
18 more at this diagram.

19 **Q Sure.**

20 A I had said, when I look at the private investors,  
21 I think of them as being like institutions. However, I want  
22 to -- I want to restate that that's the case sort of later  
23 on in the offering.

24 This is actually a very early -- this  
25 is like pre -- this is just in the research phase here.

1 And, in this case, what I mean when I say  
2 "private investors," it's just simply -- I think investors  
3 that go directly to the company to secure an allocation  
4 without making a determination on whether they are  
5 institutions or not, right?

6 So in a smart contract type of sale, private  
7 investor, I think, means just someone who goes directly to  
8 the company.

9 In the context of the sale that Kik actually  
10 ended up conducting, which was using an instrument called  
11 the SAFT, as I'm sure you're aware, private investors in  
12 that case would mean the SAFT participants, and those are  
13 typically institutions.

14 **Q I appreciate the clarification. That anticipates**  
15 **my next question.**

16 **I don't need the exact hour, date, minute it was**  
17 **decided, but in your head, roughly when did you understand**  
18 **that Kik was considering going with that SAFT followed by a**  
19 **public sale structure?**

20 A I don't remember the exact date when I got that  
21 knowledge, received that knowledge, but I believe, and I may  
22 be wrong, but I believe it was in early June of 2017.

23 **Q Okay.**

24 MR. MITCHELL: Do you remember whether it was  
25 before or after the whitepaper was published?

1 THE WITNESS: That would -- if I'm correct, that  
2 this event took place in June, that would have been  
3 after the publication of the whitepaper, which happened  
4 at token -- well, the release happened at Token Summit  
5 at the end of May.

6 BY MR. LEASURE:

7 **Q Okay. Let me turn to the next page with the**  
8 **Bates stamp 19856.**

9 MR. MITCHELL: Could I just ask one follow-up  
10 question?

11 That chart that's on the first page or maybe I  
12 guess the whole -- all this -- did you discuss -- did  
13 you discuss that concept with people at Kik during your  
14 work for them, sort of the concept that's in that  
15 chart?

16 THE WITNESS: Beyond sending them the additional  
17 research, I do not have recollection I specifically  
18 discussed these charts with people at Kik.

19 BY MR. LEASURE:

20 **Q Sorry --**

21 A So we are going to the next page, which is 19856.

22 **Q Yeah, you got it. Right at the top it says,**  
23 **""Cryptoinvestors' include regular participants of token**  
24 **sales as well as Kik users who are participating in the sale**  
25 **by way of cryptocurrency."**

1 **Let me pause there.**

2 **This is early in the process. This is, what,**  
3 **early April?**

4 **There's five plus months until the public**  
5 **sale.**

6 **Do you know, does this describe the groups who**  
7 **actually participated in the public sale of Kin?**

8 A I have no knowledge of who actually participated  
9 in the public sale of Kin.

10 **Q That's fine.**

11 **Did Kik users -- were users of the Kik Messaging**  
12 **application a significant audience for the Kin offering?**

13 A I could not know that. I do not know that.

14 **Q Do you know who -- just in your work with Kik or**  
15 **otherwise, do you know who the typical users of the Kik**  
16 **Messaging app are?**

17 A Yes.

18 In our initial -- in our initial research  
19 meeting or kickoff meeting with Kik, we asked about the  
20 demographics of Kik's user base.

21 **Q And who were they, generally?**

22 A Generally, younger users.

23 **Q And is that the same -- are younger users of a**  
24 **messaging app like Kik the same audience that would**  
25 **regularly participate in token sales during this time?**

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1 A I don't know who regularly participates in token  
2 sales.  
3 Token sales, especially at this period of time,  
4 are anonymous.  
5 And so it would be hard for me to determine  
6 the age. You know, obviously, we run surveys to try to  
7 ascertain what the demographics of those folks are.  
8 What the surveys show is that probably, maybe,  
9 the age range is probably different from younger users.  
10 **Q And just so we're clear, when we say younger**  
11 **users of the Kik Messaging app, are we talking about, I hate**  
12 **using generational terms, but teenagers, young adults? What**  
13 **was your sense?**  
14 A I believe we got a numerical age range from the  
15 team. You might even have the document which has our notes  
16 on that. I do not have it in front of me.  
17 **Q That's fine. We can find that.**  
18 **Let me point you to another section on the same**  
19 **page, 19856. Right at the bottom, the second to last**  
20 **paragraph. I will read it. Just tell me if don't see it.**  
21 **"Users will be able to redeem KT for bitcoin or**  
22 **fiat value on cryptocurrency exchanges. Similarly, Kik**  
23 **Interactive, as well as investors in cryptomarket**  
24 **speculators obtain KT liquidity on cryptocurrency**  
25 **exchanges."**

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1 **Do you see that?**  
2 A I do.  
3 **Q First, I guess, KT, any reason to think that**  
4 **doesn't mean Kik tokens?**  
5 A I believe it means Kik tokens in this context.  
6 **Q Maybe they hadn't come up with the term "Kin"**  
7 **yet?**  
8 A That's correct. This is prior to the naming of  
9 the currency.  
10 **Q Was getting -- we may have touched this already,**  
11 **but was getting Kik tokens, what became Kin, onto exchanges**  
12 **important to the economy that was being contemplated here?**  
13 A I mean, it could be. It's hard to say, because I  
14 don't think that we have seen this system in actuality. So  
15 it's hard to judge whether it would be important or not.  
16 **Q But, at this time, I take it, CoinFund was**  
17 **diagramming, literally diagramming the potential -- the**  
18 **economics of a future Kin ecosystem, correct?**  
19 A Well, this diagram describes sort of our  
20 conception of the so-called cryptoeconomics of the system as  
21 we saw at this very early research phase. Whether this is  
22 actually what Kin -- the Kik team intended or whether they  
23 followed this blueprint is not for me to know, but this is  
24 certainly how I envisioned, at that time, the economics of  
25 the system.

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1 **Q And the red circle in this diagram that's**  
2 **entitled "Cryptomarket," do you see that?**  
3 A I do.  
4 **Q Are those the exchanges?**  
5 A I would be referring to some kind of venue for  
6 liquidity for tokens, yes.  
7 MR. MITCHELL: Such as the exchanges we discussed  
8 earlier?  
9 THE WITNESS: Such as crypto exchanges.  
10 **Q Can I point you to the next page, 19857? It**  
11 **says, "Regulatory bodies" -- "Precise regulatory analysis**  
12 **must be completed in a thorough compliance review by legal**  
13 **professionals. The following should not be construed as**  
14 **legal advice."**  
15 **Among other things that follows, there's analysis**  
16 **on the SEC and their potential reaction to this, correct?**  
17 A That's what is on the page, yes.  
18 **Q Great. Why did CoinFund do this?**  
19 A Do what?  
20 **Q Do this. Good question.**  
21 **Why did CoinFund provide this analysis to Kik?**  
22 A I mean, it was our desire to -- to provide our  
23 client with sort of our intellectual knowledge, recognizing  
24 that we are not legal professionals, accountants, tax  
25 people, et cetera, but just the intellectual knowledge of

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1 our understanding of the regulatory environment with the  
2 additional recommendation that they consult their counsel  
3 for establishing the compliance of their process.  
4 **Q So would you agree that, even relatively early on**  
5 **in the process of considering a token offering, Kik was at**  
6 **least aware of potential regulatory issues with the SEC?**  
7 A I don't know what Kik was aware of. I can say --  
8 **Q If they read this, they were aware of it,**  
9 **correct?**  
10 A I don't know who read this. I don't know how  
11 they -- what they read would have factored into their  
12 internal -- how it would have factored into their internal  
13 discussions. So I can't say how they -- whether they read  
14 it or how they reacted to it.  
15 **Q CoinFund certainly raised the issue, correct?**  
16 A CoinFund included the issue in this response  
17 e-mail.  
18 **Q Okay.**  
19 MR. LEASURE: Why don't we go off the record?  
20 THE VIDEOGRAPHER: We are now off the record at  
21 11:32 a.m.  
22 (Recess taken.)  
23 THE VIDEOGRAPHER: This is tape three of the  
24 deposition of Jake Brukman. We are now on the record  
25 at 11:40 a.m.

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1 BY MR. LEASURE:

2 **Q On the record after a brief break during which,**  
3 **Mr. Brukman, did you have any substantive conversations**  
4 **about this investigation with SEC staff?**

5 A We did not.

6 **Q Okay. Let me point you to one or two more pieces**  
7 **of this document, Exhibit 54, one with 19867 on the Bates**  
8 **stamp.**

9 **19867 at the top says, "At a high level one MVP**  
10 **system is," and then lists out five things.**

11 **We are going to be talking about this term more**  
12 **later today, but in the context of the Kin offering, what is**  
13 **an MVP?**

14 A MVP generally stands for a minimum viable  
15 product. What is being referred to here as an MVP is sort  
16 of the minimum viable pieces that would kind of create a,  
17 you know, fully, end-to-end product for Kik, but not  
18 necessarily, you know, comprehensive product. It's a  
19 minimum viable product.

20 **Q And did it have any particular -- that term, MVP,**  
21 **did it have particular specialized usage in connection with**  
22 **the Kin offering beyond that?**

23 A This is a standard term used in technology to  
24 refer to kind of early releases of software.

25 **Q Okay. For purposes of CoinFund's analysis, just**

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1 **help me understand, why was CoinFund analyzing what an MVP**  
2 **system might be for a future Kin offering?**

3 A Because every project is interested to know, you  
4 know, at which point and given which requirements they could  
5 launch.

6 **Q Okay. And there are five points of this**  
7 **high-level MVP system listed here, correct?**

8 A I believe so.

9 **Q Yeah. I think the next page doesn't have any**  
10 **more.**

11 **Which of these were actually present, if you**  
12 **wouldn't mind looking through them, which of these were**  
13 **actually present or in existence when the public sale was**  
14 **accomplished?**

15 A So it's hard for me to analyze exactly which of  
16 these were present. So, you know, the portal website  
17 certainly existed. That is a publicly-accessible piece of  
18 information about the offering. So I can say confidently  
19 that the portal website definitely existed.

20 **Q Oh, I see. So the portal website where investors**  
21 **can remit funds to the token sale, that existed, right?**

22 A At the time of the sale, that existed, yes.

23 **Q There were smart -- for one, smart contracts or**  
24 **Kik tokens and issuance structures secured and deployed on**  
25 **Ethereum that existed, is that right, or do you know?**

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1 A I don't know that to be the case. I did not  
2 review the smart contracts personally.

3 **Q Fair enough. Number three, the messenger server.**  
4 **This says, "The messenger interacts with the Ethereum**  
5 **network to settle transactions."**

6 **Did that exist?**

7 A So, I don't know.

8 **Q Okay.**

9 A Also, it's important to remember that this is,  
10 you know, my conception --

11 **Q Totally.**

12 A -- of what the MVP would be. It's completely not  
13 clear whether Kik even read this or followed this advice or  
14 used this as a blueprint for their offering, and I'm not  
15 aware and don't know whether they had a messenger server at  
16 that time.

17 **Q Totally.**

18 **But to be clear, this wasn't -- this was**  
19 **something you wrote out as what an MVP system would look**  
20 **like?**

21 A In my conception of what I thought, at a high  
22 level, it would be, yes.

23 **Q This wasn't Kik saying what they were going to do**  
24 **with an MVP system at the time in April of 2017?**

25 A Certainly. I'm the author of this -- of this

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1 paragraph.

2 **Q Understood. Just wanted to be clear.**

3 **Just to finish it out. Item 4, various in-app**  
4 **integrations, wallet remittance, tipping, in-game currency.**

5 **Was that in place at the time of the public sale?**

6 A I am not aware of exactly what was in place in  
7 terms of integrations at the time of the sale.

8 **Q So you don't know?**

9 A I don't know.

10 **Q Was there a wallet in place at the time of the**  
11 **public sale?**

12 A I don't know.

13 **Q Did you personally buy Kin either in the private**  
14 **or purpose sale?**

15 A I did not personally buy Kin in any sale.

16 **Q Did CoinFund, LLC?**

17 A CoinFund, LLC did not buy Kin in any sale.

18 **Q My understanding is that at least one employee or**  
19 **partner or member of CoinFund did; is that right?**

20 A Alex Felix was an investor in the Kin sale, yes.

21 **Q Great. Anyone else affiliated with CoinFund**  
22 **participate?**

23 A To the best of my knowledge, no.

24 **Q Okay.**

25 MR. MITCHELL: Was there any integration of Kin

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1 into the -- sorry. I'm looking at number 4 again.  
 2 Was there any in-app integration of Kik at the  
 3 time of the sale to the public?  
 4 THE WITNESS: I don't know.  
 5 MR. MITCHELL: Did anyone from Kik ever talk to  
 6 you and ask your opinion or advice about what --  
 7 what -- sorry -- whether in-app integration was  
 8 something that sort of the market would want?  
 9 THE WITNESS: I don't think anyone specifically  
 10 talked to me about that.  
 11 MR. MITCHELL: Did they ask you anything  
 12 generally about, hey, how would in-app integration sort  
 13 of affect our business opportunities?  
 14 THE WITNESS: To the best of my recollection, I  
 15 never had such a conversation.  
 16 MR. MITCHELL: Thanks.  
 17 BY MR. LEASURE:  
 18 **Q So we have seen the prior research deliverable.**  
 19 **There's this, answers to Peter's questions, right?**  
 20 **Was there any additional research -- I know**  
 21 **there's subsequent work done, obviously, by CoinFund, but**  
 22 **was there other research like this or research deliverables**  
 23 **that CoinFund prepared?**  
 24 A When you say "like this," what do you mean? Like  
 25 as a consolidated like document?

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1 **Q Consolidated analysis, yes.**  
 2 A I believe these are the two main consolidated  
 3 analysis -- analyses that were delivered to Kik in our  
 4 research phase. Certainly, we did work subsequently and  
 5 there may have been one-off analyses that we delivered.  
 6 They did not have this kind of comprehensive  
 7 form, to the best of my memory.  
 8 **Q Were there other firms other than CoinFund**  
 9 **providing this type of analysis to Kik at the time?**  
 10 A I can only speak to the fact that, you know, we  
 11 worked, specifically myself and, you know, and other members  
 12 of the Kik team worked with CoinTree. We were present in  
 13 meetings together with CoinTree during the summit in Tel  
 14 Aviv.  
 15 You know, I can speak to some of like what was  
 16 covered in those meetings, but I don't know what, if any,  
 17 kind of analysis was provided by CoinTree, let's say, to  
 18 Kik. I'm just not privy to those communications.  
 19 **Q Fair enough.**  
 20 **And at a high level, what did CoinTree do in**  
 21 **connection with the Kin offering?**  
 22 A You know, to the best of my sort of view, from  
 23 where I sat, they provided -- you know, they participated  
 24 along with us in the Tel Aviv summit where we were defining  
 25 the product. And so they provided, you know, kind of

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1 brains, thoughts around product, thoughts around the  
 2 economics of such a system, and in a similar capacity to  
 3 what we were doing.  
 4 **Q Do you think -- so we've just seen two, you know,**  
 5 **lengthy research deliverables that CoinFund delivered to**  
 6 **Kik.**  
 7 **Do you think Kik incorporated CoinFund's analysis**  
 8 **into what became the Kin offering?**  
 9 A I have no way of knowing how they integrated or  
 10 did not integrate our analysis. I know that I sent them the  
 11 analysis, but I just have no way of knowing what, if  
 12 anything, they incorporated into their offering from our  
 13 analysis.  
 14 **Q Do you have any reason to doubt that they**  
 15 **reviewed it and thought about it?**  
 16 A I just simply don't know. I just don't have that  
 17 knowledge.  
 18 **Q Okay. I will take -- just for housekeeping, let**  
 19 **me take those documents back.**  
 20 MR. ROSHKA: (Handing.)  
 21 MR. LEASURE: Thank you.  
 22 **Q Let me show you a document I will have marked as**  
 23 **Exhibit 60.**  
 24 **(SEC Exhibit No. 60 was marked for**  
 25 **identification.)**

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1 **Q Take a look at Exhibit 60 and let me know when**  
 2 **you're ready.**  
 3 **I will identify it for the record as a multi-page**  
 4 **printout of an e-mail chain ending March 23, 2017, with the**  
 5 **subject "Quick Update."**  
 6 **It has the Bates stamp COINFUND10967.**  
 7 A (Perusing.) I'm going to take a minute to review  
 8 the document, if that's okay.  
 9 **Q I appreciate it. Let me know when you're ready.**  
 10 A (Perusing.) I have completed reading the  
 11 document.  
 12 **Q Okay. What is this document?**  
 13 A This is an e-mail from Hayeon Kim to the CoinFund  
 14 team, noting that our deliverable was received and that Kik  
 15 would be looking probably to move into phase two of the  
 16 project.  
 17 **Q Cool. And if I were to interpret the deliverable**  
 18 **to be the research work that we just reviewed, can you think**  
 19 **of anything else you might be referring to?**  
 20 A It appears that they are referring to the main  
 21 research deliverable. They refer to it as final  
 22 deliverable. That's how we referred to it, even though, in  
 23 fact, it was not the final deliverable. We had an  
 24 additional piece of research.  
 25 **Q Clients do that.**

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1 A Clients will do that.

2 So I believe that she is referring to that  
3 deliverable.

4 **Q And she references -- she says, "Hope you are  
5 well. We've reviewed and discussed the final deliverable  
6 with the executive team yesterday in an epic three-hour  
7 meeting. It was very well received."**

8 **Did you hear anything else about that allegedly  
9 epic three-hour meeting or anything about Kik's response to  
10 the deliverable?**

11 A To the best of my recollection, I did not. I'm  
12 looking at this e-mail now, and it's great, but it also does  
13 not make any kind of determination about how the materials  
14 were used.

15 **Q No. I understand. And I'm just trying to see if  
16 this refreshes any recollections.**

17 **There's also a reference, she says, "We have a  
18 good idea of what we will be focusing on for the BOD in  
19 order to move on to phase two of the project."**

20 **First, I guess, does any of that refresh any  
21 recollections about discussions about, you know, Kik's  
22 management, meeting with its board, discussing the research?**

23 A To the best of my recollection, we never met with  
24 Kik's board. We never discussed how the board processed our  
25 deliverable or how the team processed the deliverable.

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1 It's great that they thought it was good and well  
2 received, and that made us feel good as a researcher, but I  
3 have no knowledge or recollection about any conversations  
4 about how the company used the deliverable.

5 **Q Okay. You then, I think in response to Ms. Kim,  
6 perhaps, write, "Here is what we suggest for scoping," and  
7 then you write, "We would offer to structure another  
8 proposal to continue working with Kik for putting together a  
9 roadmap and estimate costs. This could involve," and then  
10 there's a list of three things.**

11 **I think we're, just in the spirit of  
12 transitioning to what else CoinFund did, I wanted to walk  
13 through these three and just first confirm, did CoinFund do  
14 these things for Kik?**

15 A So let's go through them one by one.

16 Number one contemplates going through a  
17 compliance review. It would have been CoinFund's  
18 expectation that our client, Kik, would retain counsel and  
19 would go to them for a compliance review, and we encouraged  
20 our client to do this, as you can see in this e-mail.

21 **Q Sorry. Just to pause.**

22 **Kik did retain counsel and do a compliance  
23 review, as best as you know?**

24 A I'm not aware of what specifically they did for  
25 compliance review. I'm just not privy to those discussions.

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1 They certainly had counsel.

2 **Q Did CoinFund engage at all with that counsel in  
3 connection with compliance in the Kin tokens?**

4 A I was present in a meeting that I recall where  
5 Kik's counsel, which was Cooley, and represented by Marco  
6 Santori, was in the room and they discussed compliance  
7 issues.

8 **Q Okay. Tell me what you can about that meeting.  
9 In other words, where was it or when was it?**

10 MR. ROSHKA: Let's just be cautious. Was Cooley  
11 your counsel at the time in any capacity?

12 THE WITNESS: It may have been -- like I don't  
13 know the date of that meeting in my memory, but Cooley  
14 was also our counsel in a separate matter, which is the  
15 matter of structuring CoinFund, LP, our hedge fund.

16 At that time, Marco was acting in the capacity of  
17 Kik's counsel, but I do not remember whether that was  
18 before or after Cooley was retained as our counsel.

19 BY MR. LEASURE:

20 **Q That's fine.**

21 **So let me just ask general questions and we'll  
22 see where we go.**

23 **I know you don't remember when the meeting was.  
24 Do you think it was before or after, say, the research  
25 deliverables we just saw?**

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1 A It's -- I don't want to speculate when it was. I  
2 just don't remember.

3 **Q I understand you don't want to speculate. It was  
4 before the token offering, correct?**

5 A It would have been before the token offering.

6 **Q And the topic, you said, was compliance; is that  
7 right?**

8 A One of the topics discussed in the meeting was  
9 compliance.

10 **Q Okay. It was you -- was it just you at CoinFund?  
11 Were other people at CoinFund present?**

12 A I don't recall.

13 **Q I take it Kik people were there?**

14 A I'm sure Kik people were there. I,  
15 unfortunately, do not remember who specifically was there.

16 **Q Where was it?**

17 A I believe it was -- I'm actually now -- I'm not  
18 sure. I'm not sure if I'm recalling Marco Santori in the  
19 capacity of Kik's lawyer or Marco Santori in the capacity of  
20 another client's lawyer. I'm actually not sure that it's  
21 correct.

22 **Q That's fine.**

23 **Just one more item on this particular Exhibit 60.  
24 Writing out a roadmap for integration and estimating costs  
25 for developing, marketing and ongoing compliance.**



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1 **Did you guys -- did you guys -- did CoinFund do**  
2 **that?**  
3 A I'm sorry. Can you repeat the question?  
4 **Q Sure. Item 3, writing out a roadmap, did**  
5 **CoinFund do that?**  
6 A I believe we did.  
7 **Q Okay. Let me maybe show you what might be a**  
8 **contract about this next phase. If I can pull that back**  
9 **from you.**  
10 A (Handing.)  
11 MR. LEASURE: I'm going to have this -- I'm going  
12 to have this marked as Exhibit 61.  
13 (SEC Exhibit No. 61 was marked for  
14 identification.)  
15 **Q Take a look at Exhibit 61, and as always, let me**  
16 **know when you are ready.**  
17 A Thank you.  
18 **Q Exhibit 61 is a multi-page document dated May 6,**  
19 **2007, with the Bates stamp COINFUND5973.**  
20 **As always, I'm going to ask you what this is and**  
21 **then really point you to specific parts of it.**  
22 A (Perusing.) Okay.  
23 **Q Okay. What is this?**  
24 A This is the original CoinFund engagement  
25 agreement with Kik Interactive on sort of the post research

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1 phase of our engagement. This particular engagement was  
2 subsequently terminated and replaced with the actual  
3 engagement that we had with Kik.  
4 **Q So this was, in fact, superseded by a subsequent**  
5 **engagement?**  
6 A That's correct.  
7 **Q Why was it superseded? What changed?**  
8 A On the advice of our counsel, we decided to  
9 change some of the aspects of this agreement.  
10 **Q Don't tell me about the advice of your counsel**  
11 **specifically, please.**  
12 **What aspects changed in the subsequent agreement?**  
13 A Primarily what changed was the compensation  
14 structure.  
15 **Q How did it change?**  
16 A In the agreement that was implemented  
17 subsequently, our compensation structure was in the form of  
18 hourly fees followed by fixed success fee for the project  
19 net of those fees, and then a discretionary bonus, which was  
20 in the discretion of Kik to provide for us.  
21 **Q And in the event, after the agreement was**  
22 **superseded, the arrangements were only to receive hourly**  
23 **fees and not the discretionary bonus?**  
24 A No. The discretionary bonus was available, but  
25 at the discretion of Kik based --

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1 MR. MITCHELL: One second.  
2 The terms you just described, was that the  
3 original agreement or the revised agreement?  
4 THE WITNESS: This is the revised agreement that  
5 went into actual effect.  
6 **Q I apologize. Got it. Okay.**  
7 **Any other changes?**  
8 A It's possible that there are minor changes. I  
9 would have to do a red line between two contracts to know  
10 exactly.  
11 MR. MITCHELL: Did the scope of work -- did the  
12 sort of the tasks that Kik was asking CoinFund to do,  
13 did that change materially?  
14 THE WITNESS: In the course of changing from this  
15 original agreement to the subsequent agreement that was  
16 in place, did our scope change?  
17 MR. MITCHELL: Yes.  
18 THE WITNESS: I do not believe it did.  
19 BY MR. LEASURE:  
20 **Q And I have to ask this. You signed this original**  
21 **agreement?**  
22 A I did.  
23 **Q Okay. Let me point you to the last parts of**  
24 **this. It's on stamp 5992.**  
25 **Do you see that it looks like a list of items or**

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1 **whitepaper stage, implementation stage, and the like?**  
2 **Do you see that?**  
3 A Yes.  
4 **Q First, I guess, who wrote this?**  
5 A I believe it was my -- me.  
6 **Q And how were these items determined?**  
7 A You know, this is -- this is an estimate of what  
8 I thought sort of the hourly expenditure for our team would  
9 be for these items and kind of a description of the work  
10 that would be included.  
11 MR. MITCHELL: How did you come up with sort of  
12 the work items?  
13 THE WITNESS: I simply did my best to try to  
14 anticipate the work that we would have to do, given our  
15 prior experience of working together, you know, and did  
16 my best to compartmentalize that as a table.  
17 MR. MITCHELL: And did you discuss those items  
18 with people from Kik?  
19 THE WITNESS: You know, certainly we shared this  
20 information with people from Kik. It was at their  
21 request.  
22 I believe we just looked at an e-mail from Hayeon  
23 where she requested to know approximately how much time  
24 it would take and kind of an estimate for costs of the  
25 roadmap.

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1 I'm sure I discussed it with Kik. I don't  
2 remember a specific instance of discussion.

3 MR. MITCHELL: When you signed this contract, was  
4 this the understanding of the work that Kik wanted  
5 CoinFund to do? Was this -- was this your  
6 understanding -- was this a description of the work  
7 that Kik wanted CoinFund to do?

8 THE WITNESS: You know, this was a conception  
9 from, you know, our side of what that work would  
10 entail. It is an estimate. Estimates are usually  
11 unreliable, especially in technology. It may or may  
12 not have transpired this way. In fact, there almost  
13 certainly are sections of this that didn't go in the  
14 order that it is presented or maybe even happened at  
15 all, but this was an attempt to understand what that  
16 process would be.

17 MR. MITCHELL: And did anyone from Kik object to  
18 any of items that were on here?

19 THE WITNESS: To the best of my recollection,  
20 they did not.

21 MR. MITCHELL: Did Mr. Heinke sign this contract?

22 THE WITNESS: I believe he did, on page 5 here.

23 BY MR. LEASURE:

24 **Q Let me walk you few -- let me get words.**

25 **Let me walk through a few of these items on here**

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1 **and see what CoinFund actually wound up doing, okay?**

2 **Under the section whitepaper stage, there's a**  
3 **item 5 that says, "Kin token whitepapers."**

4 **We are going to walk through this in more detail,**  
5 **but it states that CoinFund's role is that CoinFund will**  
6 **author the Kin token whitepaper.**

7 **Do you see where that's written?**

8 A I do.

9 **Q Is that what happened?**

10 A I would say that the Kin whitepaper was  
11 definitely a collaboration between not only the CoinFund  
12 team and not only the Kik team, but also CoinTree and also  
13 other third parties, including a professional writer who did  
14 some editing on the paper.

15 **Q So you would say, correct me if I'm wrong, that**  
16 **people at CoinFund participated in a process of writing a**  
17 **whitepaper?**

18 A We did.

19 **Q There's a few items I want to walk through under**  
20 **the implementation stage, again, just to see what CoinFund**  
21 **did.**

22 **The first one is, "One, marketing support. Goal,**  
23 **to reach community investors and liaison with crypto**  
24 **community and media."**

25 **Particularly for this item, what did CoinFund**

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1 **wind up doing?**

2 A Not much. On one or two occasions, I would  
3 present in the Kin Foundation Slack to answer technical  
4 questions about the Kin Rewards Engine and Kin  
5 cryptocurrency.

6 **Q We will touch on this maybe more today, but did**  
7 **people at CoinFund, including yourself, ever directly reach**  
8 **out to potential investors in Kin?**

9 A To the best of my recollection, I never reached  
10 out to a prospective investor specifically with the purpose  
11 of bringing them to the offering.

12 **Q Did you or others at CoinFund introduce Kik to**  
13 **potential investors?**

14 A In the course of working with clients, you know,  
15 people definitely reached out to us. They are -- they saw  
16 that we were working on the project. They were interested  
17 in the project. At times, they may have asked for an  
18 introduction to the team.

19 There might have been one or two times or three  
20 times or some small number of times when that introduction  
21 was provided.

22 I do not know whether that introduction resulted  
23 in investment. I don't know -- it was not my intention  
24 to -- to bring an investor to the offering specifically with  
25 the goal of having them invest. It's not my core expertise

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1 or intention in the course of the project.

2 And I do not know whether any such introductions  
3 that we made ended up in like commercial relationships or  
4 provider relationships or investor relationships.

5 **Q How, if at all, was CoinFund's role in the Kin**  
6 **project publicized at the time?**

7 A We were in the whitepaper. It wasn't -- it  
8 wasn't broadly publicized, but someone who read the  
9 whitepaper, for example, could know that we were advising on  
10 the project.

11 **Q Was there any other way, like on social media,**  
12 **was it put out there that CoinFund's involvement in this**  
13 **project?**

14 A I may have tweeted to that effect that, you know,  
15 CoinFund or myself was working with Kin. I don't remember  
16 specifically what that tweet would have said, but it could  
17 have been.

18 **Q Was CoinFund or were people at CoinFund reluctant**  
19 **to participate in the marketing of Kin?**

20 A I would say so.

21 **Q Tell me about that.**

22 A Marketing is not our core area of expertise. Our  
23 core area of expertise is technology and analysis of the  
24 economics of cryptoeconomic systems. And sometimes our  
25 clients get really excited, you know, they want us to do



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1 other things, but it's not something that we enjoy doing or  
2 is our core business or anything like that.

3 **Q Was there any other reason for the reluctance?**

4 A I'm not sure.

5 **Q Okay. One more item here. Item 5, "Exchange  
6 outreach. Goal, to facilitate the listing of Kik tokens on  
7 centralized and decentralized exchanges."**

8 A Uh-huh.

9 **Q Tell me about CoinFund's role, if any, in that.**

10 A To the best of my recollection, we never did  
11 this.

12 **Q Why not?**

13 A It's just -- it never came up.

14 **Q Kik never asked you to do it?**

15 A To the best of my recollection, I was never asked  
16 to get Kin tokens in an exchange.

17 MR. MITCHELL: Did Kik ever ask anyone from  
18 CoinFund to make an introduction to exchanges?

19 THE WITNESS: I mean, I can only speak for  
20 myself. To the best of my recollection, I do not  
21 remember that.

22 BY MR. LEASURE:

23 **Q Okay. Let me take that back from you.**

24 A (Handing.)

25 **Q So you -- turning to the Kin whitepaper. You,**

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1 changes from your draft?

2 THE WITNESS: I don't believe I do.

3 BY MR. LEASURE:

4 **Q I apologize for a basic question.**

5 **At a high level, what was the purpose of the Kin  
6 whitepaper?**

7 A In our industry, you know, the purpose of  
8 whitepapers varies from describing highly technical or  
9 mathematical systems underlying blockchain technologies to  
10 describing the products built on top of those technologies.

11 In Kik's case, the purpose of the paper was to  
12 introduce a motivation of why a company like Kik might want  
13 to undertake such a -- such a project, and to describe what  
14 the -- kind of the Kin product looked like, and as we  
15 discussed previously, that would have been, you know, the  
16 decentralized ecosystem around the Kin currency and various  
17 parties building applications around that open and  
18 decentralized ecosystem.

19 **Q Was one of the purposes to encourage people to  
20 consider purchasing Kin?**

21 A I wouldn't say that. I would say that the  
22 primary purpose of the paper was to describe the product.

23 MR. MITCHELL: To who?

24 THE WITNESS: To anybody who might be interested  
25 in it.

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1 **yourself, what did you do to help prepare the Kin  
2 whitepaper?**

3 A I authored sections of the paper. I edited the  
4 paper.

5 **Q Did you have the final decision on what went into  
6 the whitepaper?**

7 A No.

8 **Q Who did?**

9 A I don't know, but I presume, after sort of we  
10 delivered kind of our portion of the work to the Kik team,  
11 they would have made that decision.

12 MR. MITCHELL: After you delivered, did the  
13 document change?

14 THE WITNESS: I wouldn't be able to know without  
15 doing a red line on sort of my final version and their  
16 final version.

17 MR. MITCHELL: Do you remember them making any  
18 changes?

19 THE WITNESS: I don't remember specifically them  
20 making a statement to the effect that they made  
21 changes. I also did not check whether they did or not.

22 MR. MITCHELL: Sure. Did you read the whitepaper  
23 after it was published?

24 THE WITNESS: I believe I did.

25 MR. MITCHELL: Do you remember noticing any

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1 BY MR. LEASURE:

2 **Q Was there a particular audience for the  
3 whitepaper that people had in mind?**

4 A I suppose that would be the people who were  
5 interested in the project that would go on the website where  
6 that paper was available.

7 **Q Was the audience cryptoinvestors?**

8 A It's conceivable that some of the audience was  
9 cryptoinvestors. I do not know who specifically the  
10 audience of their website would be.

11 MR. MITCHELL: What about the audience of the  
12 whitepaper?

13 THE WITNESS: It would be anyone on the internet.

14 MR. MITCHELL: But when it was drafted, did  
15 you -- did you have in audience in mind?

16 THE WITNESS: My goal in drafting the paper was  
17 to describe -- or helping to draft the paper was to  
18 describe the product. You know, I would think that the  
19 person reading it, in other words, the audience of that  
20 paper would be those people interested in understanding  
21 what the product was.

22 BY MR. LEASURE:

23 **Q But at the time, you -- you, yourself, were  
24 thinking about who the audience or audiences might be for  
25 the whitepaper?**

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1 A I wouldn't say that I was thinking about who the  
2 audience might be. I would say I maybe was thinking about  
3 sort of their level of technical sophistication or something  
4 like that, but like not specifically who they were or like  
5 what class of participant they were.

6 The goal of the paper, I would say, from my  
7 perspective, is to describe the product, you know, in as  
8 simple language as possible to communicate what this product  
9 is to anyone who might be interested in the product.

10 **Q Okay. Let me show you a document. I'm going to**  
11 **mark this as Exhibit 62.**

12 (SEC Exhibit No. 62 was marked for  
13 identification.)

14 **Q Exhibit 62 is a multi-page printout of an e-mail**  
15 **chain ending May 3, 2017, with the subject "Feedback on**  
16 **whitepaper materials." It has the Bates stamp beginning**  
17 **COINFUND11441.**

18 A Uh-huh.

19 **Q Tell me when you're ready.**

20 A Let me just take a read through, if you don't  
21 mind.

22 **Q Sure.**

23 A (Perusing.) Please continue.

24 **Q Sure. What is this document?**

25 A This appears to be an e-mail between Hayeon Kim

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1 and myself about some feedback on the materials that they  
2 shared with me, which seems to be a whitepaper roadmap. I  
3 don't have the attachments here materialized, so it's hard  
4 to know exactly which document they are referring to.

5 **Q Okay. Let me point you to what appears to be**  
6 **your general feedback on May 3. You write, on the second**  
7 **bullet point, "My general comments with respect to the**  
8 **whitepaper outline."**

9 **Do you see that?**

10 A Uh-huh.

11 **Q Your second bullet point is, "It needs a clear**  
12 **audience. On one hand, it's explaining decentralization to**  
13 **cryptoinvestors (superfluous). On the other hand, it's**  
14 **explaining the tech stack to mainstreamers (over their**  
15 **heads)."**

16 **Were these the audiences that you had in mind for**  
17 **the whitepaper?**

18 A No. I would say that this piece of feedback  
19 demonstrates that the paper was written in a very general  
20 manner. It anticipated that not everybody that was reading  
21 it was a cryptoinvestor, and, at the same time, anticipating  
22 that potentially cryptoinvestors could be the ones reading  
23 it.

24 MR. MITCHELL: Did you tell Ms. Clift and Ms. Kim  
25 that it needed a clear audience?

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1 THE WITNESS: It appears I did. I generally  
2 would say that, you know, when you're writing a -- when  
3 you're authoring like any kind of material, you  
4 probably do want to consider an audience.

5 MR. MITCHELL: And when you write, do you try to  
6 do that?

7 THE WITNESS: I would say I generally try to do  
8 that.

9 BY MR. LEASURE:

10 **Q And so maybe just going further through the**  
11 **document. Under the third bullet point, you write, "Overall**  
12 **suggestions for improving the outline."**

13 **Do you see that?**

14 A Uh-huh.

15 **Q Then you write in a subbullet, "Establish a**  
16 **target audience. My suggestion here would be to go after**  
17 **cryptoinvestors, as that is the core market."**

18 **Was that your view at the time?**

19 A It appears that was my recommendation at the  
20 time.

21 **Q Do you recall Kik ever disagreeing with you or**  
22 **stating that that was not the core market?**

23 A I don't think I received, you know, a detailed  
24 response from Kik beyond what's here, and I don't believe  
25 that their response made reference to this point.

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1 **Q So, no, they never disagreed with you --**

2 A I believe no.

3 MR. LEASURE: Let's go off the record.

4 THE VIDEOGRAPHER: We are now off the record at  
5 12:23 p.m.

6 (Luncheon recess taken at 12:23 p.m.)

10 AFTERNOON SESSION

11 THE VIDEOGRAPHER: This is tape four of the  
12 deposition of Jake Brukhman. We are now on the record  
13 at 1:17 p.m.

14 MR. MITCHELL: Mr. Brukhman, during the lunch  
15 break, did you have any substantive conversations with  
16 the SEC staff about this case?

17 THE WITNESS: I did not.

18 MR. MITCHELL: I'm just going to start with a  
19 couple of sort of clean-up things.

20 A couple of times during the morning, you  
21 mentioned the word "mind share."

22 What does that mean?

23 THE WITNESS: It's just referring to the general  
24 familiarity of people with blockchain technology.

25 MR. MITCHELL: So I think, at some points, you

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1 said like blockchain became a bigger part of the mind  
 2 share.  
 3 THE WITNESS: Yes. Just meaning that more people  
 4 in the world have heard of cryptocurrencies and  
 5 blockchain technologies.  
 6 MR. MITCHELL: Okay. Great. I'm going to give  
 7 you back what was previously marked as Exhibit 54.  
 8 THE WITNESS: Thank you.  
 9 MR. MITCHELL: Can I -- so, again, Exhibit 54,  
 10 this is an e-mail you sent to Mr. Heinke, Ms. Kim and  
 11 Ms. Clift in April of 2017?  
 12 THE WITNESS: Ms. Clift, yes, with a T, indeed.  
 13 MR. MITCHELL: Yes. There's an e-mail on the CC  
 14 line that says coreteam@coinfund.io.  
 15 THE WITNESS: That's correct.  
 16 MR. MITCHELL: What is that e-mail address?  
 17 THE WITNESS: It's just a Google group containing  
 18 the members of the CoinFund team.  
 19 MR. MITCHELL: In April 2017, who would have been  
 20 the CoinFund team?  
 21 THE WITNESS: To the best of my recollection, it  
 22 probably would have been -- that probably would have  
 23 been myself, Alex Bulkin, Alex Felix, and I believe  
 24 Oleg Golubov.  
 25 MR. MITCHELL: Great. I'm going to have you flip

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1 at the time?  
 2 THE WITNESS: I believe so.  
 3 MR. MITCHELL: And did you talk about that issue  
 4 after this point with Kik at all?  
 5 THE WITNESS: I don't recall any specific  
 6 discussion of this particular point.  
 7 MR. MITCHELL: Do you remember any conversations  
 8 with them about, hey, who should we expect the category  
 9 of 5K to 50K to be?  
 10 THE WITNESS: I don't recall a discussion of that  
 11 particular point.  
 12 MR. MITCHELL: And then on the -- if you could  
 13 turn to the next page that ends with the Bates number  
 14 870.  
 15 Do you see the first black section that says,  
 16 "Also interested in understanding the elasticity of  
 17 investor interest as other factors such as vesting come  
 18 into play. Some concern over the 'pump and dump'  
 19 investors versus more longer term," and then it  
 20 continues on.  
 21 THE WITNESS: I do see that section.  
 22 MR. MITCHELL: And then, so -- and that's a  
 23 question that Kik is asking?  
 24 THE WITNESS: If you allow me to review the  
 25 paragraph, I will let you know my opinion. (Perusing.)

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1 to the page that starts -- that has a Bates number at  
 2 the bottom that ends in 869. And then the middle of  
 3 the page, you see it says "Crypto Survey" -- "Survey  
 4 Feedback"?  
 5 THE WITNESS: Uh-huh.  
 6 MR. MITCHELL: Is the section under that, are the  
 7 black sections, are those questions that Kik asked?  
 8 THE WITNESS: Let me examine the document. I  
 9 believe they are.  
 10 MR. MITCHELL: And what's the blue section?  
 11 THE WITNESS: The responses that we provided.  
 12 MR. MITCHELL: So I take you to the second black  
 13 section. So was that -- was that question, "Do you  
 14 guys have any insight into the investor groups that  
 15 make up the category of 5K to 50K?"  
 16 THE WITNESS: That is what is written in the  
 17 black section, yes.  
 18 MR. MITCHELL: And then was your answer that,  
 19 "This category is reserved for serious cryptoinvestors  
 20 globally as well as small VC funds and family offices  
 21 that are pushing into the space"?  
 22 THE WITNESS: That appears to be my response,  
 23 yes.  
 24 MR. MITCHELL: And was that -- when you sent that  
 25 response, was that your -- sort of your understanding

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1 It doesn't appear to be in the form of a  
 2 question.  
 3 MR. MITCHELL: Okay. Is the blue section below  
 4 that, is that part that you wrote to Kik?  
 5 THE WITNESS: Sure.  
 6 MR. MITCHELL: So was part of your answer to  
 7 Kik -- well, was part of your e-mail -- part of your  
 8 communication to Kik that speculative investors are a  
 9 fact of life in unregulated cryptomarkets, and can have  
 10 both positive, e.g., added liquidity, and negative,  
 11 e.g., price shock impacts on markets?  
 12 THE WITNESS: That is my response, yes.  
 13 MR. MITCHELL: And was that true at the time?  
 14 THE WITNESS: I mean, this was my interpretation  
 15 of the way that I saw the market. Whether I could  
 16 factually verify that, in fact, the market consisted of  
 17 speculative investors, I would say I can't verify that,  
 18 but -- but that was my impression of the market.  
 19 MR. MITCHELL: At the time?  
 20 THE WITNESS: At the time.  
 21 MR. MITCHELL: And that's what you told Kik?  
 22 THE WITNESS: Correct.  
 23 MR. MITCHELL: And then the next sentence, do you  
 24 see where it says, "One of our goals is to advise you  
 25 on structure and product in such a way as to minimize

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1 adverse effects of speculators and amplify positive  
2 effects of users?"

3 Do you see where I read that?

4 THE WITNESS: Yes.

5 MR. MITCHELL: Was that one of your goals?

6 THE WITNESS: Well, one of our goals in helping  
7 to formulate the product is to understand the economics  
8 of this decentralized system and the cryptocurrency  
9 upon which it runs. You know, and this sentence  
10 describes that goal.

11 MR. MITCHELL: So part what you just described is  
12 working out a structure and a product in such a way as  
13 to minimize the adverse effects of speculators and  
14 amplify positive effects of users?

15 THE WITNESS: Our desire as, you know, as a  
16 system designer is, of course, to have positive effects  
17 of users as it mentioned in the sentence.

18 And, you know, we are forced to think about these  
19 issues in the course of designing these kinds of  
20 technological systems.

21 MR. MITCHELL: And is one of the positive things  
22 that can happen in that kind of system that the system  
23 has liquidity?

24 THE WITNESS: I wouldn't say that liquidity is a  
25 necessary requirement for every such system. There are

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1 and I apologize if I -- if I interrupted you.

2 MR. MITCHELL: The question was, sitting here  
3 today, do you remember what positive effects you were  
4 referring to?

5 THE WITNESS: I think -- I think the positive  
6 effects are -- is the idea of users kind of using the  
7 cryptocurrency in the way that it's intend to be used.  
8 In other words, as a currency for purchasing, you know,  
9 products or media or -- or services within the context  
10 of the economy.

11 MR. MITCHELL: Okay. And you remember that's  
12 what you meant when you wrote that here?

13 THE WITNESS: I would think that that's what I  
14 meant.

15 MR. MITCHELL: Sitting here today, do you  
16 remember that's what you meant or are you just reading  
17 it?

18 THE WITNESS: I'm interpret -- you know, it's  
19 hard to go -- this was a long time ago. This is  
20 probably close to a year ago, if not over a year ago.  
21 It's hard to remember exactly what I was intending  
22 mentally at the time, but sitting here now and trying  
23 to convey to you what I think I was intending, that  
24 would be what I was intending -- this is what I think I  
25 was intending.

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1 examples of blockchain systems where you have assets  
2 that are not liquid.

3 MR. MITCHELL: Okay. Is liquidity a positive --  
4 is liquidity one of the positive effects that you can  
5 have on a system, though?

6 THE WITNESS: I don't believe that that's what  
7 the sentence is alluding to. I think the sentence is  
8 more likely alluding to the fact that users are using  
9 this cryptocurrency to transact in the economy of the  
10 Kin ecosystem.

11 MR. MITCHELL: So do you think the author of that  
12 was alluding to that or that's what the author was  
13 saying?

14 THE WITNESS: I'm sorry. Can you repeat the  
15 question from the beginning?

16 MR. MITCHELL: Is that what you are saying here?

17 THE WITNESS: What is that in your question?

18 MR. MITCHELL: Do you know who wrote this?

19 THE WITNESS: I believe I wrote this.

20 MR. MITCHELL: So when you wrote that one of your  
21 goals was to minimize adverse effects of speculators  
22 and amplify positive effects of users, what was the  
23 positive -- sitting here today, do you remember what  
24 positive effects you were talking about?

25 THE WITNESS: There are ways of technologically,

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1 MR. MITCHELL: But do you remember it?

2 THE WITNESS: I mean, in general, I can't say  
3 that I specifically remember that that's what I was  
4 intending.

5 MR. MITCHELL: Okay. But at least for this  
6 thing, when I asked this question, you have a  
7 general -- let me start over.

8 You're using the word "specific."

9 Do you have some general memory of what you meant  
10 when you said this?

11 THE WITNESS: The fact of the matter is these are  
12 technological systems that you can design in a way that  
13 makes them, you know, more attractive to a speculator  
14 or more attractive to a user. There are various  
15 systems that have created incentives that, you know,  
16 one way or the other, I can give examples, if you like.

17 What I think our intention here in the sentence  
18 is to help design a technological system that has the  
19 latter property versus the former property, or where  
20 the former property is the so-called adverse effects of  
21 speculators. In other words, people who hold the  
22 currency try to make money, try to speculate on its  
23 price versus actual users who are using the currency in  
24 the way that is intended to be used as a medium of  
25 exchange inside of this ecosystem, and that's what I

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1 was intending.

2 MR. MITCHELL: Okay. So then a quick aside.

3 Does CoinFund own coins or tokens or these things and

4 hold them in the hopes that they will go up in value?

5 THE WITNESS: There are certainly investments

6 that we have made that are in the form of digital

7 currency that we believe will appreciate in the long

8 term and that we hold as an investment.

9 MR. MITCHELL: So are you a speculator on those?

10 THE WITNESS: I would say we, as an investor,

11 have a much longer-term view on investments than what

12 you would typically think a speculator would have.

13 MR. MITCHELL: So speculative investors, when you

14 wrote "speculative investors" on this page, that's only

15 some small set of investors?

16 THE WITNESS: I can't speak to the number of

17 investors in the market who are speculators or not.

18 MR. MITCHELL: But when you -- but when you wrote

19 "speculative inspectors," you don't mean all investors

20 are speculators there?

21 THE WITNESS: No. I mean specifically investors

22 who don't have kind of long-term investments to hold

23 the cryptocurrency and maybe want to, you know, quickly

24 transact in it to make a quick profit.

25 MR. MITCHELL: Some there might be -- some

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1 investors would be speculators and some investors would

2 be investors, but not speculators?

3 THE WITNESS: I would say so, from my point of

4 view.

5 MR. MITCHELL: So did you help Kik structure --

6 did you advise Kik on structuring product in such a way

7 as to minimize the adverse effect of speculators and

8 amplify the positive effects of users?

9 THE WITNESS: I don't believe we did.

10 MR. MITCHELL: Why not?

11 THE WITNESS: It just never really came up.

12 MR. MITCHELL: So are you aware of any way that

13 Kik tried to minimize the adverse effects of

14 speculators?

15 THE WITNESS: I am not.

16 MR. MITCHELL: Are you aware of any way that Kik

17 tried to amplify the positive effects of users?

18 THE WITNESS: Not specifically.

19 MR. MITCHELL: Generally?

20 THE WITNESS: I mean, I could have an opinion on

21 that as an observer, but I don't know if, you know, if

22 Kik was intending a particular feature to perform this

23 function.

24 MR. MITCHELL: Did you see Kik add some feature

25 or take out some feature that -- such that the effect,

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1 you thought, was that either minimize the adverse

2 effects of speculators or amplify the positive effects

3 of users?

4 THE WITNESS: Well, if you look at the

5 whitepaper, you know, for example, Kik provides

6 perspective use cases in the whitepaper about how the

7 cryptocurrency could be used in their application.

8 As a third-party observer, I might say, well,

9 this is a reason why users would use this

10 cryptocurrency in a way that was nonspeculative, in a

11 way to transact in the economy.

12 MR. MITCHELL: Anything else?

13 THE WITNESS: That's the example that comes to

14 mind.

15 MR. MITCHELL: Any other examples come to mind?

16 THE WITNESS: No.

17 MR. MURTHA: Did you draft the use cases in the

18 whitepaper?

19 THE WITNESS: I did not.

20 BY MR. LEASURE:

21 **Q Who did?**

22 A I don't know, but -- I don't know would drafted

23 them.

24 **Q Speaking of the whitepaper, I will present it to**

25 **you.**

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1 **Can I take that document back?**

2 A (Handing.)

3 **Q I'm handing you a document previously marked**

4 **Exhibit 2.**

5 **Take a look at Exhibit 2. As always, for these**

6 **larger documents, I will be pointing you to specific pieces.**

7 **Exhibit 2 is a multi-page document entitled "Kin,**

8 **a Decentralized Ecosystem of Digital Services for Daily**

9 **Life, Position Paper," dated May of 2017. It has the Bates**

10 **stamp KIK1.**

11 **Do you recognize this document?**

12 A I do.

13 **Q Is this the Kik whitepaper we were discussing?**

14 A It is.

15 **Q Okay. You and others at CoinFund helped prepare**

16 **this document; is that right?**

17 A We did.

18 **Q Are there particular pieces or sections of this**

19 **document that you focused on?**

20 A I wouldn't say I had a special focus.

21 **Q Okay. So it was throughout the document?**

22 A I provided editing throughout the document. I

23 authored many paragraphs in the document.

24 **Q Great.**

25 **Let me point you to a few pieces in here now. If**

1 I can point you to page 5. That's under Bates stamp KIK5,  
2 as it were.

3 Under the section, Kik's vision, so right at the  
4 beginning, there's the third paragraph begins with the  
5 sentence, I will read. Tell me if you don't see where we  
6 are.

7 It says, "To foster an ecosystem that is not only  
8 open and decentralized, but also more compelling than its  
9 traditional counterpart, Kik must create a series of new  
10 products, services and systems."

11 Do you see where I am?

12 A I do.

13 Q Just a first question. Do you know what's meant  
14 here by its traditional counterpart?

15 A I think that that sentence is referring to the  
16 difference between a decentralized application, which is  
17 what the project is intending to build, and the traditional  
18 application, which is centralized, which I suppose is the  
19 Kik Messenger application.

20 Q Got it. And the second part of that sentence is  
21 that, "Kik must create a series of new products, services  
22 and systems."

23 What new products, services and systems is being  
24 referred to there, to your knowledge?

25 A I don't think that the project -- I don't think

1 projects, developing applications and integrating Kin into  
2 those applications.

3 Q And did Kik play a role or would Kik play a role  
4 in those tasks?

5 A Conceivably, Kik would be one of the applications  
6 on this decentralized platform.

7 Q Okay. In terms of the Rewards Engine, who would  
8 build the Rewards Engine?

9 A I think it was the intention of Kik to build the  
10 Rewards Engine.

11 Q Okay. In terms of building the technological  
12 backbone, the decentralized blockchain underlying the  
13 project, who does that?

14 A Well, I think Kik.

15 Q Okay. That's fine.

16 MR. MITCHELL: What about recruiting the  
17 developers you just discussed, what was the intention  
18 at the time of the whitepaper? Who -- what was the  
19 intention of who would attract developers to join the  
20 system?

21 THE WITNESS: When you are talking about  
22 decentralized systems, third-party developers are free  
23 to develop on those systems as they see fit. So it's  
24 not necessarily that Kik would have had to recruit  
25 developers.

1 it creates a requirement of a particular kind of service or  
2 system. I think the requirement is more along the lines  
3 that, you know, it is a product that integrates the  
4 cryptocurrency for use within that product, but I would say  
5 that the product itself could be quite general.

6 Q And so let me just talk about the work that Kik  
7 had to do either then or -- before or after the sale to make  
8 the ecosystem meet the vision, if that's okay.

9 Are there specific tasks that Kik had to do to  
10 obtain this vision?

11 A I don't know that Kik had to do or was required  
12 to do --

13 Q Anything?

14 A I guess it depends by what you mean by had to do  
15 or required to do.

16 Q Again, in order to obtain the vision outlined of  
17 the Kik ecosystem, what needed to be done?

18 A Well, again, from my perspective in the way that  
19 I have personally envisioned the product, you know, I would  
20 say that what would be -- what would be, quote/unquote,  
21 required or what would be a good set of features to have for  
22 more or less kind of complete, but maybe minimal product,  
23 would be a decentralized cryptocurrency, a Kin Rewards  
24 Engine and third parties which could be, you know,  
25 individuals, it could be companies, it could be open-source

1 MR. MITCHELL: Right. But was there an intention  
2 that Kik would try to recruit partners to join it?

3 THE WITNESS: I mean, we can make reference to  
4 sort of what's outlined in the whitepaper to that  
5 effect. I haven't read this in about a year, so it's  
6 hard for me to recall, but it probably touches upon  
7 this issue in this document.

8 MR. MITCHELL: Okay. But do you remember, like  
9 was there an intention at the time of this document,  
10 that Kik would recruit other developers and other  
11 partners to the system?

12 THE WITNESS: I don't remember if this document  
13 specifically mentions that intention. I would think  
14 that it could.

15 MR. MITCHELL: I don't mean the document. I  
16 mean, when you were working with Kik around the time of  
17 this document, I'm just trying to put us generally in  
18 the May time period, late spring, early summer 2017,  
19 was there an intention at the time that Kik would try  
20 to recruit developers or other partners to join this  
21 project?

22 THE WITNESS: There could have been. I don't  
23 remember a specific conversation to that effect that I  
24 participated in.

25 BY MR. LEASURE:



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1 **Q** We are still under Kik's vision. There's a  
 2 section also on KIK5 called a new digital currency.  
 3 **I just want to read you the last paragraph. It**  
 4 **says, "But simply creating a digital currency is not enough**  
 5 **for a cryptocurrency to be viable. It must also be useful**  
 6 **and valuable. To establish a company around the new**  
 7 **currency, Kik must" -- "To establish an economy around the**  
 8 **new currency, Kik must help to establish Kin's fundamental**  
 9 **value."**

10 **Reading that paragraph, what does it mean to you**  
 11 **that Kik must help to establish Kin's fundamental value?**

12 **A** This passage is not obviously being very, very  
 13 specific about what that means. You know, if I were  
 14 interpret it for myself as a blockchain researcher, I would  
 15 think that that means that the company would foster and  
 16 support development around applications that integrate Kin,  
 17 helping to build the digital economy that is intended here  
 18 in this whitepaper.

19 **MR. MITCHELL:** Was one way that Kik would help  
 20 establish Kin's fundamental value by integrating Kin  
 21 into its chat app?

22 **THE WITNESS:** I believe that's what the paper  
 23 mentions.

24 **MR. MITCHELL:** Was that true when the paper  
 25 mentioned it?

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1 **THE WITNESS:** You're asking whether Kik had  
 2 integrated --

3 **MR. MITCHELL:** No. I'm asking, at that time, was  
 4 that one of the ways that Kik would help to establish  
 5 Kin's fundamental value?

6 **THE WITNESS:** Well, I think the paper makes  
 7 reference to use cases for Kin inside of the Kik  
 8 application. Conceivably, that would fall under my  
 9 interpretation, which I just gave, of what it means for  
 10 Kik to establish Kin's fundamental value.

11 **In other words, by being a venue where Kin is**  
 12 **integrated, I think Kik would be helping the economy.**  
 13 **The same thing would be true of any other application**  
 14 **that integrated Kin.**

15 **MR. MITCHELL:** Thanks.

16 **BY MR. LEASURE:**

17 **Q** **Do you think that potential purchasers of Kin**  
 18 **would be interested in the Kik Messenger application?**

19 **A** It's hard for me to say, because I don't know who  
 20 you're referring to or what assumptions they're operating  
 21 under or what goals they're operating under.

22 **Q** **I mean -- but we've already seen that you were**  
 23 **thinking about who the audience for this document might be,**  
 24 **correct?**

25 **A** I mean, from my perspective, I think the audience

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1 would be a general audience.

2 **Q** **Not cryptoinvestors?**

3 **A** I think cryptoinvestors would be included under  
 4 the general audience of the document.

5 **Q** **Okay. Was the Kik app, the Kik Messaging app**  
 6 **relevant, in your mind, to the overall package of the Kin**  
 7 **offering?**

8 **A** I think so.

9 **Q** **Was it relevant sort of who was using the**  
 10 **messenger app?**

11 **A** Who -- can you specify what you mean?

12 **Q** **I'm not trying to hide the ball. Let me point**  
 13 **you to page 9. There appears to be a discussion of the Kik**  
 14 **Messenger app.**

15 **Tell me if you see that.**

16 **A** Page 9.

17 **Q** **Yep.**

18 **A** (Perusing.) Yep.

19 **Q** **Do you see that there is discussion of the amount**  
 20 **of users of the Kik app and their age?**

21 **A** I do.

22 **Q** **Okay. Why was that included?**

23 **A** I think this is included as an informational  
 24 section describing the product of Kik to date.

25 **Q** **And it states there are over 15 million monthly**

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1 **active users.**

2 **Do you see that?**

3 **A** I do.

4 **Q** **Do you know if that -- do you know if that user**  
 5 **base was increasing or decreasing at that time?**

6 **A** To the best of my recollection, I don't have that  
 7 information.

8 **Q** **Okay. I just -- do you know why this section**  
 9 **about the Kik Messenger app was included in this document?**

10 **A** I don't want to speculate why, but it was  
 11 included, yes.

12 **MR. MITCHELL:** You don't want to speculate why.  
 13 Did you -- did the whitepaper include things that you  
 14 thought were sort of irrelevant to the Kin token?

15 **MR. ROSHKA:** Do you understand what he means by  
 16 benefit, beneficial?

17 **MR. MITCHELL:** I didn't use the word  
 18 "beneficial."

19 **THE WITNESS:** Can you repeat the question?

20 **MR. MITCHELL:** Did you include things in the  
 21 whitepaper that were irrelevant to the Kin token?

22 **THE WITNESS:** Can you describe what you mean by  
 23 "irrelevant"?

24 **MR. MITCHELL:** Did not matter to.

25 **THE WITNESS:** I mean, it's hard to judge the

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1 relationship between a piece of material and how that  
2 would impact or what way it would impact the Kin token.

3 MR. MITCHELL: Did you include information in  
4 here that you thought that readers would find  
5 irrelevant to the Kin token?

6 THE WITNESS: Of the parts that I worked on, I  
7 don't believe so.

8 MR. MITCHELL: So the parts that you worked on --  
9 sorry. I apologize if this is part of what you've  
10 already talked about.

11 So this information here about the Kik app and  
12 its number of users and the, you know, number of the  
13 time that the users spend and how much they -- how many  
14 messages they send, did you see a connection between  
15 this and the Kin token?

16 THE WITNESS: Only in the sense that, you know,  
17 you're describing sort of the company who is building  
18 the project and, you know, this description of the  
19 company establishes that it is a, you know, an  
20 existing, established company with 150 employees, and  
21 an existing product.

22 MR. MITCHELL: And are these statistics here a  
23 description of the their existing product?

24 THE WITNESS: I would say that the second  
25 paragraph is a description of the demographics of the

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1 THE WITNESS: I mean, I don't think it's unusual  
2 to describe the company that is undertaking a project.  
3 It happens all the time, especially in whitepapers.

4 MR. MITCHELL: Because people who view  
5 whitepapers want to know that?

6 THE WITNESS: People want to know who is building  
7 the project. As an investor, I wouldn't invest in a  
8 project that is created by anonymous entities that I  
9 didn't know who they were -- anonymous people who I  
10 didn't know who they were.

11 MR. MITCHELL: And then the whitepaper, Kik said  
12 it would incorporate the Kin token into this app  
13 described here, right?

14 THE WITNESS: I'm not sure if Kik made that  
15 promise, but they certainly alluded to possible use  
16 cases where Kin would be integrated into the app  
17 according to the whitepaper.

18 MR. MITCHELL: Let me just turn you back to Kik  
19 00005, three lines up from the bottom.

20 THE WITNESS: Uh-huh.

21 MR. MITCHELL: Do you see where it says, "Kik  
22 will build fundamental value for the new currency by  
23 integrating Kin into its chat app?"

24 THE WITNESS: Yes.

25 MR. MITCHELL: Include, "Indeed, Kin will be

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1 users on the Kik Messenger, and in that sense it is a  
2 description of the existing product.

3 Is it a complete description of the product? No,  
4 it is not.

5 MR. MITCHELL: And is that the same with the  
6 third and fourth paragraphs?

7 THE WITNESS: The third paragraph, you know,  
8 mentions that over a quarter of a billion messages are  
9 sent on Kik every day. So this is a metric of usage on  
10 the Kik Messenger app. So, as such, I believe it is a  
11 description of the existing product. An average Kik  
12 user, it says, spends 37 minutes and sent 55 messages  
13 daily on the platform. So I would say those are  
14 metrics about usage and, thus, a description of the  
15 existing product.

16 MR. MITCHELL: Okay. And the same thing for the  
17 fourth paragraph.

18 THE WITNESS: The fourth paragraph mentions, you  
19 know, a bot platform is maintained by a Kik platform,  
20 and the number of bots in a platform and, as such, is a  
21 metric of usage on that product and, as such, is a  
22 description of the product, yes.

23 MR. MITCHELL: And how did you see that  
24 description of the product as being relevant to people  
25 reading about the Kin token project?

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1 Kik's primary transaction currency and Kik will the  
2 first service to join the Kin ecosystem."

3 THE WITNESS: Yes.

4 MR. MITCHELL: Let me just ask my question again.  
5 Did Kik say in the whitepaper that it would  
6 integrate Kin into its chat app?

7 THE WITNESS: It appears now that we have found  
8 this passage that, in the whitepaper, Kik stated an  
9 intention to integrate Kin into its chat app.

10 MR. MITCHELL: Did folks from Kik have you put  
11 this information that's on KIK00009 into the  
12 whitepaper?

13 THE WITNESS: I do not believe that I personally  
14 was directed by Kik to put this passage into the  
15 whitepaper.

16 MR. MITCHELL: Okay. Let me mark what will be  
17 Exhibit 63.

18 For the record, 63 is a single page document with  
19 the Bates number COINFUND012600.

20 (SEC Exhibit No. 63 was marked for  
21 identification.)

22 MR. MITCHELL: And it appears to be an e-mail  
23 that ends with the last e-mail at the top of May 23,  
24 2017.

25 Take how much time you want. My question is



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1 going to be, what is this document?

2 THE WITNESS: This is a document providing -- it

3 appears the e-mail is addressed to myself. So it

4 appears to be providing myself with, you know, usage

5 statistics of the Kik application.

6 MR. MITCHELL: And what did you write back --

7 sorry.

8 Did Ms. Kim send you that information?

9 THE WITNESS: It appears she did.

10 MR. MITCHELL: And what did you write back?

11 THE WITNESS: I said, "Excellent. Thanks. We

12 will incorporate."

13 MR. MITCHELL: Okay. So going back to the

14 question, does this refresh your recollection about

15 whether Kik instructed you to include the information

16 in Exhibit 62 -- 63 in the whitepaper?

17 THE WITNESS: I mean, this is an e-mail that is

18 providing metrics. To the extent that I have read this

19 e-mail, I do not see that it directs me to create a

20 section about Kik in the whitepaper, but it does give

21 me the precise metrics that I can use as data as I am

22 writing sections of the whitepaper.

23 MR. MITCHELL: So did you include this data in

24 the whitepaper?

25 THE WITNESS: I believe some of this data was

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1 included. If we turn back to, I guess, page 5.

2 MR. LEASURE: 9.

3 THE WITNESS: I'm sorry, 9. I believe we see a

4 figure of 57 percent of Kik's active user base is

5 comprised of a certain demographic, and I believe we

6 see this metric mentioned in the e-mail.

7 So I believe I did include at least some data in

8 the whitepaper that was provided to me.

9 BY MR. LEASURE:

10 **Q Did Kik ever tell you whether one of these**

11 **metrics here, monthly average users -- monthly active users,**

12 **was going up or down during this time?**

13 A To the best of my recollection, I don't recall

14 whether they did.

15 **Q Had they done so, would you have wanted to**

16 **include that information?**

17 A I don't know what I would have done at that time.

18 **Q Let me be more specific. If monthly average**

19 **users were going down during this time, would you have**

20 **considered that as information to include in this section of**

21 **the whitepaper?**

22 A I mean, assuming that monthly active users were

23 going down at the time, this would not come as a total

24 surprise, given sort of the public statements that Ted

25 Livingston had made around the time of this project about

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1 why Kik was engaging in this kind of project, right?

2 So, you know, this is publicly available

3 information, where Ted talks about competition in this

4 particular space, competition with large technology

5 companies, how it's very difficult for a company, even of

6 the size of Kik, which is valued at a billion dollars, to

7 compete in an advertising business model.

8 And this is precisely why the blockchain strategy

9 is interesting, because it creates a way that Kik could

10 monetize using an alternative business model compared with

11 their existing business model, which doesn't seem to be

12 viable.

13 So if users were going down at the time, it would

14 appear that that would be consistent with Ted's

15 understanding of his business.

16 **Q In connection with the Kin offering, did Kik**

17 **disclose to the public its financial statements?**

18 A Not to my knowledge.

19 **Q Did they disclose its operating results?**

20 A Not to my knowledge.

21 **Q Did they disclose -- other than what we see on**

22 **page 9, are you aware of any disclosures Kik made as to its**

23 **monthly average users?**

24 A It's conceivable, you know, that I was on other

25 e-mails with such data, for example, as I mentioned before,

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1 we received metrics on Kik points in the course of doing our

2 research study. Again, I don't remember specifically, like,

3 if there was.

4 **Q Yeah. No. And I'm asking, was there some -- we**

5 **have a whitepaper.**

6 **Was there disclosure about trends in the Kik**

7 **Messaging app made to the general public? Not to you, but**

8 **to the general public?**

9 A Not that I recall seeing.

10 **Q Okay. Let me point you briefly --**

11 MR. MITCHELL: Should I take 63 back?

12 MR. LEASURE: Yes, for good housekeeping, that

13 would be good. Thank you.

14 THE WITNESS: (Handing.)

15 BY MR. LEASURE:

16 **Q Let me point you briefly to page 8 of Exhibit 2.**

17 **We're still on the whitepaper.**

18 **There's a section called, "Implementation,**

19 **Ethereum and ERC20."** The first sentence says, "Kin would be

20 **implemented on the public Ethereum blockchain as an ERC20**

21 **token."**

22 **Do you see that?**

23 A Yes, I do.

24 **Q I think we talked earlier today, correct me if**

25 **I'm wrong, about some issues with the throughput on**

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1 **Ethereum; is that right?**

2 A That is correct. We did touch upon the  
3 scalability of blockchains earlier in our conversation.

4 **Q Did you have, at the time of this whitepaper,**  
5 **spring, early summer of 2017, did you have concerns about**  
6 **scalability and Ethereum for the Kik/Kin project.**

7 A So I would say scalability is a concern for every  
8 application in the blockchain space today, generally  
9 speaking. And Kik is not an exception.

10 **Q Understood.**

11 **I guess I'm asking you, did you think it was**  
12 **possible, at this time, that Kin couldn't be implemented on**  
13 **the Ethereum blockchain?**

14 A No. I thought it could be implemented.

15 **Q Is Kin being implemented on the Ethereum**  
16 **blockchain now?**

17 A Yes.

18 MR. MITCHELL: Is Kin being implemented solely on  
19 the Ethereum blockchain?

20 THE WITNESS: No.

21 MR. MITCHELL: Tell us about that.

22 THE WITNESS: I'm not privy to the exact  
23 technological roadmap here, as this has been more of a  
24 recent development, but my understanding is that Kin  
25 will be dually implemented on Ethereum, as well as a

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1 private Stellar -- network based on Stellar.

2 MR. MITCHELL: Why?

3 THE WITNESS: One of the concerns is scalability  
4 and Stellar will provide a greater degree of throughput  
5 in, you know, it seems in the opinion of the Kik's  
6 technology team than Ethereum.

7 MR. MITCHELL: And would Ethereum allow  
8 sufficient throughput to run the Kin ecosystem that's  
9 described in the whitepaper?

10 THE WITNESS: I mean, I don't know, because the  
11 answer to that question depends on how many users adopt  
12 Kin, and because we don't know how many users will  
13 adopt Kin in the future, it's hard to say whether  
14 Ethereum will support that level of adoption. So there  
15 are different levels that Ethereum will support, and  
16 surely there are levels that Ethereum will not, but I  
17 don't know where we will land.

18 MR. MITCHELL: Was there ever a point where you  
19 got comfortable that the Kin ecosystem could just be  
20 run on the Ethereum blockchain?

21 THE WITNESS: I mean, I think projects building  
22 on Ethereum, you know, anticipate scalability  
23 improvements in the platform over time. And so,  
24 whereas, projects might start out with a small  
25 throughput requirement, they might have an increased

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1 throughput requirement down the road, but the  
2 scalability roadmap of Ethereum itself might support  
3 that requirement.

4 MR. MITCHELL: But none of that was said or sure  
5 at the time that you were -- at the time of the Kin  
6 token offer?

7 THE WITNESS: It's hard for me to recall exactly  
8 the discussions that we had on the scalability of  
9 Ethereum at that time, but it's conceivable that we  
10 would have covered these issues.

11 BY MR. LEASURE:

12 **Q Let's talk about use cases. If I can point you**  
13 **to page 12 of this document, at Kik 12. Right towards the**  
14 **bottom, there's a section -- it looks like a section called**  
15 **"Kik economy and prospective use cases."**

16 **Do you see that?**

17 A Yes.

18 **Q All right. "Kik will introduce a number of**  
19 **marketplace use cases that will prompt consumers and brands**  
20 **to transact with Kin."**

21 **I will tell you that the document that precedes**  
22 **to give some example use cases, right?**

23 **Let me just start with the section that I just**  
24 **read, that Kik will introduce a number of marketplace use**  
25 **cases.**

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1 **What can you tell me about that?**

2 A Can you be more specific?

3 **Q What was the plan for Kik to introduce a number**  
4 **of marketplace use cases?**

5 A I mean, to the extent that -- that the use cases  
6 are laid out here, I think this represents the sort of  
7 directional thinking of what those use cases would be.

8 **Q And the idea is that Kik would find or recruit**  
9 **companies or groups or bots that would then use Kin?**

10 A Third parties could certainly -- well, as is the  
11 intention of the network, they could certainly come in and  
12 try to be third-party developers on this platform.

13 **Q Right. But I don't want to linger on it, but the**  
14 **language here says Kik will introduce these use cases.**

15 **Would you agree that that doesn't envision at**  
16 **least -- go ahead.**

17 A Please finish.

18 **Q No. I was just going to say that doesn't**  
19 **envision, as an initial matter, people coming to it, that**  
20 **that envisions Kik introducing a number.**

21 A So I think there's a logical distinction between  
22 kind of Kik creating use cases and also Kik enabling or  
23 fostering like third-party development on the platform. I  
24 think those are two different things?

25 **Q Correct. Okay.**

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1 A So what this -- what this sentence reads to me  
 2 like is that Kik would be working on use cases within their  
 3 product.  
 4 **Q Okay. And then let's -- I just want to point --**  
 5 **there are several use cases in the subsequent pages,**  
 6 **starting on page 13. There are VIP groups. I think there's**  
 7 **a pizza bot, tipping brands.**  
 8 **I hate to ask this basic question, where do these**  
 9 **use cases come from?**  
 10 A To my recollection, these use cases were -- were  
 11 provided by the Kik team.  
 12 **Q Okay. And these were hypothetical things that**  
 13 **might be able to be done in the future on Kin?**  
 14 A I think specifically on the Kik Messenger in  
 15 integrating Kin.  
 16 **Q Got it. These didn't exist at the time?**  
 17 A These are mockups. So these are prospective  
 18 directions that could be created in the future.  
 19 **Q And it wasn't clear -- for example, there's a**  
 20 **reference to a pizza bot.**  
 21 **It wasn't clear whether there would be a pizza**  
 22 **bot or if the deal -- there's no way to know if it would be**  
 23 **pizza versus another fast food. It's just a mockup of what**  
 24 **could be done?**  
 25 A That is my understanding.

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1 **Q Okay. That's fine.**  
 2 MR. MITCHELL: Just so I understand. At the time  
 3 that the whitepaper was written, did any of these uses,  
 4 these use cases exist so the people could actually do  
 5 them?  
 6 THE WITNESS: My inclination is to say no, but at  
 7 the end of the day, I was not monitoring the software  
 8 repositories of the Kik technology team to know exactly  
 9 what they had built and what they had not built at that  
 10 time.  
 11 MR. MITCHELL: Sure. Let me give you a more  
 12 simple one, though.  
 13 When did the whitepaper come out?  
 14 THE WITNESS: May 24, I believe, or so.  
 15 MR. MITCHELL: When were Kin tokens created?  
 16 THE WITNESS: I don't know.  
 17 MR. MITCHELL: Were they created in May?  
 18 THE WITNESS: They could have been. I don't  
 19 know.  
 20 MR. MITCHELL: Had they been distributed in May?  
 21 THE WITNESS: I don't believe they were  
 22 distributed in May.  
 23 MR. MITCHELL: Okay. So do you think that there  
 24 were people -- that people could actually use --  
 25 actually do the things that are described in these use

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1 cases at the time the whitepaper came out?  
 2 THE WITNESS: When you say "people" --  
 3 MR. MITCHELL: People are like human beings out  
 4 in the world.  
 5 THE WITNESS: So any random user in the world,  
 6 could they download the Kik app and can they -- could  
 7 they, on May 24, use these use cases? I don't believe  
 8 that they could.  
 9 That does not mean that those use cases were not  
 10 implemented maybe privately, maybe in a beta you see.  
 11 MR. MITCHELL: Ah.  
 12 THE WITNESS: It's my understanding that those  
 13 use cases were not publicly available.  
 14 MR. MITCHELL: Not publicly available.  
 15 And you don't know whether or not Kik had  
 16 actually built them and just held them privately.  
 17 THE WITNESS: I don't know whether they built  
 18 them at that time.  
 19 MR. MITCHELL: Thank you.  
 20 BY MR. LEASURE  
 21 **Q Last thing on this document. If I can point you**  
 22 **later on to page 23, KIK23.**  
 23 **At the head of this page, there's a section,**  
 24 **"Token distribution event."**  
 25 **And it says, "The Foundation will commence the**

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1 **token distribution event once Kik has completed the**  
 2 **technology upgrade to integrate with Kin and the**  
 3 **cryptocurrency can be used functionally within Kik."**  
 4 **The Foundation there, is that the Kin Foundation?**  
 5 A I believe it is.  
 6 **Q Okay. And the token distribution event, we have**  
 7 **been referring to a sale of tokens to the public.**  
 8 **Is that what that is?**  
 9 A I mean, I think token distribution event refers,  
 10 generally, to the distribution of, in this case, Kin tokens.  
 11 That may include the private sale. It may include all  
 12 possible events where tokens are distributed.  
 13 **Q When tokens were distributed, is the token**  
 14 **distribution event, right?**  
 15 A I would say so.  
 16 **Q After this document, there was a token**  
 17 **distribution event; is that right?**  
 18 A It's my understanding that there was a token  
 19 distribution event.  
 20 **Q Okay. And, at that time, could the**  
 21 **cryptocurrency be used functionally within Kik?**  
 22 A I don't know.  
 23 **Q You don't know either way?**  
 24 A I simply didn't -- I didn't look.  
 25 **Q Okay. Looking through this document, and I can**

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1 tell you I have searched through it and hit control F and  
2 searched through it, I don't see references to the term  
3 "profit" or how people could make money if they bought Kin.

4 Was that -- why is there no reference to that in  
5 this whitepaper?

6 A Why do you think there should be a reference to  
7 it?

8 Q Was there any consideration given to talking  
9 about that?

10 A To the best of my recollection, no.

11 Q Were there instructions or consideration -- were  
12 you ever told not to talk about concepts like profit,  
13 investment, things like that in connection with the Kin  
14 offering?

15 A I mean, I think we always tried to be careful and  
16 always, you know, sought the advice of counsel in how we  
17 should talk to -- to protect ourselves from liability, as is  
18 proper.

19 I think we recommended to Kik, on multiple  
20 occasions, to seek the advice of their counsel around how  
21 they should communicate and be compliant and defer to their  
22 counsel for that advice.

23 I don't remember -- I don't remember ever getting  
24 instructions from the Kik team to not include certain  
25 concepts or words specifically.

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1 Q Did you get instructions from anybody not to  
2 include concepts like profit or Kin as an investment in the  
3 whitepaper?

4 A There may have been e-mails where we discussed  
5 that with third parties. There may have been discussion of  
6 that with CoinTree, but I don't remember that being a point  
7 of discussion with the Kik team.

8 Q Okay. CoinTree, any other third parties?

9 A Not that I can think of.

10 Q Tell me about those communications with CoinTree.

11 A I believe there's a communication where Uriel  
12 Pelid said something to that effect, like we should be  
13 careful about how we should talk about this publicly.

14 MR. ROSHKA: Can you spell Uriel?

15 THE WITNESS: U-R-I-E-L, P-E-L-I-D.

16 Q And what was your response to that?

17 A I don't recall.

18 Q Let me show you a document. I'm going to mark  
19 this as Exhibit 64.

20 (SEC Exhibit No. 64 was marked for  
21 identification.)

22 Q Take a look. Let me know when you're ready. I'm  
23 going to identify it. I'm going to point you just to the  
24 first page of Exhibit 64.

25 Exhibit 64 is a multi-page document with Bates

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1 stamp COINFUND20094. It is from Alexander Bulkin (Google  
2 docs), and the subject is "1, 2 background," and it goes on  
3 from there.

4 Do you recognize this?

5 A I don't recognize this specific edit, but I do  
6 recognize that this was one of the edits that, you know,  
7 that I was probably a party to.

8 Q Are we seeing communications, I take it, on a  
9 Google document?

10 A You are seeing a comment that I left on a  
11 particular passage in a Google document.

12 Q And is the passage related to the whitepaper or  
13 some other document?

14 A To be honest, it's hard to say without -- without  
15 seeing what the document that is linked to this comment is.

16 Q And I'll represent to you, I think we asked for  
17 that, and that might be what's reflected on the attachment.  
18 I don't know if eyeballing that gives you any insight into  
19 what's being commented on.

20 A Oh, okay. I see.

21 Q This was a part of the challenge we had with  
22 CoinFund's counsel about trying to get access to documents  
23 like Google documents.

24 A Okay. So you're representing that that this  
25 comment was made on some portion of this document that you

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1 have included subsequently?

2 Q Yeah.

3 A On 19910?

4 Q I'm representing it came to us, the attachment is  
5 somehow linked to the comment.

6 A Okay. Sure. What is your question? Would you  
7 mind repeating it?

8 Q Sure. There appears to be a comment being  
9 discussed on the first page -- sorry -- you were on the  
10 right page and I misdirected you. Right there.

11 There appears to be a comment that says, "By  
12 using Kin to drive an economy inside Kik, the value of Kin  
13 cryptocurrency will rise. This will create an opportunity  
14 to establish the Kin Rewards Engine."

15 And just looking at it in this form, is it right  
16 that you responded to Alexander, "Not sure we want to make  
17 assertions about rising price. Will review."

18 A It appears that I made that comment, yes.

19 Q That's fine. Again, I appreciate that this is  
20 logically a little hard to see who wrote what.

21 Why did you make that comment?

22 A Simply because it's very hard to predict how  
23 cryptocurrency prices will behave. Cryptocurrencies are  
24 very volatile. Why would we want to almost certify or  
25 guarantee that the price would go up when we don't really

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1 know that?

2 **Q And this wasn't related to any concern about**

3 **making representations in documents about Kin relating to**

4 **profit motivations? There was no concern about that?**

5 A Not that I see here.

6 **Q And, generally, there was no concern about making**

7 **representations about people expecting profits in connection**

8 **with the Kin offering?**

9 A I mean, I can tell you that my concern with this

10 particular comment was probably around the unpredictability

11 of pricing rather than a concern about the latter.

12 **Q And then, more broadly, was the latter a concern**

13 **that was in your head?**

14 A I don't believe so.

15 **Q Okay. I will take that back. I will also take**

16 **the other exhibit back. Thank you.**

17 A (Handing.)

18 **Q Was there a technical whitepaper published?**

19 A There definitely are a number of technical

20 documents that I recall. At the time -- at the time of this

21 work, the main technical document that I remember working on

22 was sort of a architectural and technological exploration of

23 the Kin Rewards Engine.

24 **Q I think we have that, and we will turn to that.**

25 **Was there -- other than the Rewards Engine**

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1 **document, was there a technical whitepaper ever published,**

2 **anything like that?**

3 A You know, I personally was not involved if there

4 was a technical whitepaper published. And so it's hard for

5 me to say, with certainty, whether one was published.

6 **Q So around the time of the whitepaper, late May,**

7 **June of 2017, was there a plan in place for what the**

8 **structure of the Kin offering would look like?**

9 A Can you define what you mean by "structure"?

10 **Q Yeah. We talked about this earlier today when we**

11 **were looking at diagrams, right? There was a diagram early**

12 **on in February showing, you know, private, public and,**

13 **ultimately, as we talked about, the Kin offering went into a**

14 **SAFT structure followed by a token distribution event,**

15 **correct?**

16 A I believe that's the case.

17 **Q Okay. And so I'm trying to figure out, by the**

18 **time of this whitepaper, was that -- the outline of that**

19 **plan in effect?**

20 A This would have been, you know, an internal

21 matter of Kik and something that I personally had relatively

22 little surface area with or touch points with. So it's hard

23 for me to say what plan was in place or what was being

24 executed upon at that time.

25 **Q Did you discuss with Kik the idea of doing a**

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1 **SAFT?**

2 A I don't believe I personally discussed with Kik

3 the idea of doing a SAFT. It's conceivable that Kik would

4 have asked us about SAFT, but I don't remember a specific

5 instance of them doing that.

6 **Q When did you first become aware that there was a**

7 **plan to do a SAFT in this transaction?**

8 A As we mentioned earlier in this interview, I

9 believe that that happened in early June 2017.

10 **Q Early June. And what was the context for that?**

11 A I'm sorry. What was the context for?

12 **Q For you becoming aware in early June of the SAFT**

13 **structure?**

14 A I believe I was -- I was alerted by my team

15 members that Kik had decided to go with a SAFT.

16 **Q Did they tell you why?**

17 A I don't -- I'm not sure. They could have. I

18 just -- I don't have a specific recollection of, you know,

19 reasoning why.

20 **Q Do you know why Kik -- sitting here today, do you**

21 **know why Kik elected to use the SAFT structure that it did?**

22 A I don't want to speculate why.

23 **Q Feel free to speculate. Just tell me you're**

24 **speculating.**

25 MR. ROSHKA: Go ahead. He knows you're

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1 speculating.

2 A Okay. If you guys know that I'm speculating, I'm

3 assuming that they would go to a SAFT on the advice of their

4 counsel.

5 **Q Okay. You don't know of any business reason,**

6 **let's leave aside counsel stuff and advice of their counsel,**

7 **are you aware of any business reason that drove them to do**

8 **that?**

9 A I'm not aware of any business reason.

10 **Q Let's talk about the marketing of the Kin token.**

11 **What role, if any, did CoinFund play in marketing**

12 **Kin?**

13 A Can you define marketing?

14 **Q Geez. We will break it out if you'd like.**

15 **What role, if any, did CoinFund play in**

16 **publicizing the Kin offering?**

17 A I mean, very little, I would say, if any. You

18 know, as I mentioned before, you know, I answered questions

19 about Kin in the Kin Foundation slack. I believe I mostly

20 kept to sort of the technical aspects, which is like my

21 area.

22 You know, as I mentioned before, I may have had a

23 tweet where I mentioned that I was working with Kin or

24 CoinFund was working with Kin. I'm not sure.

25 I authored a blog post, as I often do, with a

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1 view on why I thought the Kin economy was an interesting  
2 product. And I think that mainly sums up the activity that  
3 would have been public emanating from myself regarding this  
4 project.

5 **Q When was Kin first publicly announced?**

6 A I believe it was announced at the 2017 token  
7 summit event which was on May, I think it was 24. It might  
8 have been a few days before or after.

9 **Q That's okay. That's one of those -- that's a**  
10 **knowable fact probably.**

11 A Yes.

12 **Q Around the time of the whitepaper we have been**  
13 **discussing?**

14 A Well, the announcement of the whitepaper is the  
15 announcement of Kin, is it not?

16 **Q No. I'm talking about the token summit.**

17 A Sorry. The token --

18 **Q Let's go back.**

19 A Okay.

20 **Q When was Kin first publicly announced?**

21 A I believe that it was publicly announced with the  
22 whitepaper, right?

23 **Q Okay. And was there a token summit at which the**  
24 **Kin was announced?**

25 A Yes.

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1 **Q Okay. Tell me about that.**

2 A Token summit was a blockchain conference held  
3 here in New York. It's run by William Mougayar and Nick  
4 Tomaino. And they, you know, as part of the conference,  
5 they had a segment where Ted Livingston went up on stage for  
6 a so-called fireside chat with William Mougayar. And, at  
7 that point, he announced the Kin project.

8 And I believe that was the point at which they  
9 launched or at least the day when they launched the Kin  
10 whitepaper.

11 **Q Okay. Do you know why it was launched at that**  
12 **event?**

13 A Do I know why it was launched at that event? I  
14 don't know why specifically it was that event versus some  
15 other event.

16 MR. MURTHA: Were you at the event?

17 THE WITNESS: I was at the event.

18 **Q Did you help prepare Mr. Livingston for, what was**  
19 **it, the fireside chat?**

20 A I didn't. I was a speaker at the conference,  
21 which is why I was at the event.

22 **Q So did you meet with Mr. Livingston in advance of**  
23 **the announcement?**

24 A I didn't.

25 **Q Have you ever met with Mr. Livingston?**

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1 A I have.

2 **Q Okay. Did CoinFund help identify or introduce**  
3 **Kik to potential investors in Kin?**

4 A I don't believe so.

5 **Q Did CoinFund help with preparing Kik for any road**  
6 **shows to meet with investors?**

7 A I mean, the extent of our -- our activity in this  
8 sort of area would be along the lines of like research,  
9 right? So maybe Kin -- sorry. Maybe the Kik team would  
10 want to know, like, what is -- what are the constituents of  
11 a particular market, and we could prospectively do that  
12 research for them, but it was either our sort of core  
13 activity or activity or business to specifically bring  
14 investors to the Kin offering.

15 **Q I feel like this was touched on in some of the**  
16 **analysis that we looked on earlier, the types of people or**  
17 **purchasers that were out there in the space at the time.**

18 **From where you sat, did you know what type of**  
19 **purchasers Kin wanted to attract, particularly to the public**  
20 **sale.**

21 A I have no data on that.

22 **Q And you never talked with them about that?**

23 A No.

24 **Q We have seen references in documents to there**  
25 **being speculators versus users in this space.**

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1 **Do you recall that?**

2 A Yes.

3 **Q Did Kik have a view as to who the types of**  
4 **people, speculators versus users, that it wanted to attract?**

5 A In conversations that I have had with them, I  
6 don't believe that I remember any -- any time when they made  
7 a special mention of wanting to attract a particular kind of  
8 users.

9 **Q So they never expressed a preference to you?**

10 A To the best of my recollection, they have not  
11 expressed a preference to me on that particular matter.

12 **Q And either then or today, do you know either way**  
13 **who was attracted to the Kin public sale?**

14 A I don't know who was attracted or participated in  
15 the Kin public sale. I just don't have access to that  
16 information.

17 **Q Do you know if Kik ever, in connection with**  
18 **marketing the Kin token, ever made a push to find larger**  
19 **investors?**

20 A I don't know.

21 **Q Do you know if they ever made an effort to find**  
22 **the term we used this morning, so-called whale investors to**  
23 **invest in Kin?**

24 A I'm not -- to the best of my recollection, I'm  
25 not privy to such conversations, such discussions, nor did I



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1 ever -- was I ever involved in such a transaction.

2 **Q Were you involved in discussions about setting up**  
3 **a referral program during the public sale?**

4 A It's a long time ago. It's conceivable that a  
5 referral program was discussed. As was the case with many  
6 such sales at the time, I have a hard time sort of  
7 remembering specifically whether it was discussed or what  
8 the substance of such a discussion would have been.

9 **Q That's fine. Was there a referral program in**  
10 **fact used for the Kin sale?**

11 A To the best of my recollection, I don't believe  
12 there was.

13 **Q Okay. Do you know why not?**

14 A I don't know why not.

15 MR. LEASURE: Okay. Why don't we go off the  
16 record?

17 THE VIDEOGRAPHER: We are now off the record at  
18 2:26 p.m.

19 (Recess taken.)

20 THE VIDEOGRAPHER: This is tape five of the  
21 deposition of Jake Brukhman. We are now on the record  
22 at 2:40 p.m.

23 BY MR. LEASURE:

24 **Q After a brief break during which, Mr. Brukhman,**  
25 **did you have any substantive conversations about this**

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1 was there, Tanner was there and many of the kind of core  
2 team members of the project from the Kik side.

3 From the CoinFund side, myself and Alex Bulkin  
4 attended this series of meetings.

5 **Q Anyone else outside of CoinFund and Kik people?**

6 A CoinTree.

7 **Q Anyone else?**

8 A Not to my recollection.

9 **Q What do you remember the outcome of those**  
10 **meetings in Tel Aviv being?**

11 A You know, the meetings were working toward a  
12 specification of the product. So the output would be like  
13 decisions about what, you know, what the product was, what  
14 the name of the product was. You know, thinking about --  
15 thinking through the technological architecture of the  
16 system, you know, what blockchain it would work on, things  
17 of that nature.

18 **Q Okay. Was there any discussion of what the MVP**  
19 **of the product would be?**

20 A I don't recall that there was.

21 **Q And then moving ahead from the Tel Aviv meeting,**  
22 **were there discussions, generally, before or after the**  
23 **whitepaper was issued about what MVP should be in place**  
24 **before the public sale started?**

25 A It's conceivable that there were. I don't

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1 **investigation with the SEC staff?**

2 A I did not.

3 **Q We see reference in the documents to a meeting**  
4 **and conference with Kik in Tel Aviv at some point.**

5 **Did you attend that?**

6 A I attended a series of meetings in Tel Aviv with  
7 Kik Interactive, yes.

8 **Q What can you tell me about those meetings in Tel**  
9 **Aviv?**

10 A Those meetings were intended to, you know, bring  
11 the core team members together and advisors together, as  
12 well, and sort of proceed with the kind of design of the  
13 blockchain-based product that would then become the Kin  
14 ecosystem.

15 **Q And were there particular -- was there a**  
16 **particular focus or topic of discussion at those meetings?**

17 A There was a number of topics of discussion  
18 including, you know, what -- you know, the definition of the  
19 product, what is the product, the technology involved in the  
20 product, the naming of the cryptocurrency, which occurred  
21 during that time to Kin, you know, and so on and so forth.

22 **Q Okay. Who was there from the Kik side?**

23 A There were a number of individuals there from the  
24 Kik side. It's hard to recall every single person from the  
25 Kik side that there was, but certainly Ted was there, Peter

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1 remember any specific conversation that I had on that topic  
2 beyond kind of the, you know, MVP suggestions that we went  
3 over today from my end.

4 **Q You didn't have any other views other than what**  
5 **we've already seen from your research work?**

6 A I don't believe I did.

7 **Q Okay. Was that something that, aside from you,**  
8 **that CoinFund generally was involved in thinking about the**  
9 **scope of what an MVP should be for this product?**

10 A I think we thought about the MVP on the request  
11 of the client to think through that in the additional  
12 research.

13 **Q And were there such requests from the client?**

14 A Well, as you saw, there was an additional  
15 research request that we fulfilled.

16 **Q I apologize. After that.**

17 A Oh. On the topic of MVP, I don't recall that we  
18 ever did any more work on that after that document.

19 **Q Do you know what MVP was, in fact, in place**  
20 **during the public token distribution event in September?**

21 A I don't know.

22 **Q Let me ask that in a better way.**

23 **Do you ever hear that the definition of what**  
24 **should be in place for the MVP changed or evolved over time?**

25 A I don't believe I did.

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1 **Q Did you ever hear of discussions about stickers**  
2 **and the ability for Kin token holders to access stickers?**

3 A I believe that stickers were discussed as a  
4 potential use case for integration of Kin into the Kik app.  
5 The Kik app is a messaging app. It might use stickers and  
6 one might use digital currency to purchase those stickers or  
7 to sell those stickers.

8 **Q Just so we're defining terms, what is a sticker**  
9 **in this context?**

10 A My understanding, and I'm not an expert on  
11 stickers, unfortunately, but my understanding is that a  
12 sticker is an image that you can attach to a text message in  
13 the context of a text messaging app.

14 **Q And when you say it was a considered use case,**  
15 **was that in connection with the use cases in the whitepaper**  
16 **we're looking at -- we looked at or somewhere else?**

17 A I just seem to remember, you know,  
18 non-specifically discussions of what use cases might be, and  
19 I feel like someone, at some point, brought up the use case  
20 of stickers.

21 MR. MITCHELL: That was a use case that people  
22 might be able to buy stickers with Kin tokens?

23 THE WITNESS: Or sell stickers.

24 MR. MITCHELL: Anything else about stickers other  
25 than buying them with Kin tokens and selling them with

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1 BY MR. LEASURE:

2 **Q Okay. Just to be clear, I don't want to keep**  
3 **repeating ourselves on these, but you don't know who bought**  
4 **Kin in the public distribution of that.**

5 A I just simply don't have a KYC that's internal to  
6 Kik. I would assume, and I just don't know who the  
7 participants were.

8 **Q That's fine.**

9 **And you also don't know why people bought Kin?**

10 A I can't speculate as to why people bought Kin.

11 **Q Okay. Was there ever any consideration done to**  
12 **delaying the public sale until Kin was fully functional**  
13 **within the Kik app? Does any of that ring a bell?**

14 A I don't believe it does.

15 **Q Okay. Give me just a moment.**

16 **Do you know, at the time of the public sale,**  
17 **which I'll represent to you was late September, do you know**  
18 **if there was anything people could buy with Kin at that**  
19 **time?**

20 A I don't know.

21 **Q You don't know either way, if they could or**  
22 **couldn't?**

23 A I mean, if Kin was not distributed, then I don't  
24 see how they would buy things with Kin because they wouldn't  
25 have a Kin in their position.

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1 Kin tokens?

2 THE WITNESS: I don't think so.

3 BY MR. LEASURE:

4 **Q Was the ability to buy or sell stickers with the**  
5 **Kin tokens a part of any marketing efforts for Kin you saw?**

6 A Not that I'm aware of. Not that I saw.

7 **Q So did you ever see documents that told people**  
8 **that you could get access to stickers as a holder of Kin?**

9 A I don't remember that.

10 **Q Do you know whether access to stickers were the**  
11 **main reason that people bought Kin in the public token**  
12 **distribution event?**

13 A I can't speculate as to why people would choose  
14 to buy Kin. They probably have a thousand different reasons  
15 why.

16 MR. MITCHELL: Do you know anyone who bought  
17 stickers because they wanted access -- sorry. Let me  
18 strike that.

19 Do you know anyone would bought Kin tokens  
20 because they wanted access to digital stickers on the  
21 Kik app?

22 THE WITNESS: I don't know of any investor in Kin  
23 other than Alex Felix. So I do not know. I'm not  
24 aware of someone who bought stickers or who bought Kin  
25 for the purpose of buying stickers.

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1 **Q No. Sorry.**

2 A After the distribution of Kin, whether there was  
3 a feature in some application where you could use Kin to  
4 purchase goods or services, I simply am not aware.

5 **Q And particularly in the Kik messaging app, you**  
6 **don't know either way --**

7 A I just simply didn't look. I didn't look.

8 **Q Let me show you a document I'm marking as**  
9 **Exhibit 65.**

10 (SEC Exhibit No. 65 was marked for  
11 identification.)

12 **Q Exhibit 65 is a multi-page printout of an e-mail**  
13 **chain ending May 1, 2017, with the subject "Questions on**  
14 **governance."**

15 **It has the Bates stamp COINFUND11319.**

16 A Uh-huh. (Perusing.)

17 **Q Tell me when you're ready.**

18 A (Perusing.)

19 **Q Okay. What is this document?**

20 A This seems to be a communication between the  
21 CoinFund team and Tanner Philp of Kik, with Tanner asking to  
22 connect with us over -- over some general questions that  
23 they had.

24 **Q Okay. If I can point you to the second page,**  
25 **Tanner writes, "Hey, guys. I hope the weekend is treating**

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1 you well. Derek, who is leading the efforts in setting up  
2 the entity for the token economy, has a few questions  
3 below."

4 **Simple question. Who is Derek?**

5 A I'm not sure. It would seem that Derek is not on  
6 the e-mail chain here, and I can't seem to recall who that  
7 is.

8 **Q That's fine.**

9 **One of the questions is, "How does the initial  
10 contribution typically look? Do the tokens go to Kik first  
11 and then get sold or do they {sic} proceeds flow into the  
12 new entity (foundation, trust or Corp.)"**

13 **Let me pause there because there's a reference at  
14 least to a foundation there.**

15 **Was CoinFund involved in thinking about whether  
16 there should be a foundation set up in connection with the  
17 Kin offering?**

18 A Speaking for myself, I don't believe that I was  
19 involved in such discussions. Foundations, in the context  
20 of decentralized networks, are a common structure employed  
21 by those networks. So I wouldn't be surprised if such a  
22 conversation took place.

23 **Q Why are foundations common in decentralized  
24 networks?**

25 A Because the view is that a decentralized network

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1 **Q You don't remember the call, it seems to me.**

2 A I don't remember the call where this purportedly  
3 would have been discussed.

4 **Q Was Kik targeting certain exchanges for the ICO?**

5 A I don't have that information.

6 **Q You don't know either way?**

7 A I don't know.

8 **Q And I think we touched on this before. Did  
9 CoinFund help target any exchanges for the ICO?**

10 A To the best of my recollection and speaking  
11 specifically for myself, I never did that.

12 **Q Okay. I will take that back. Thank you.**

13 A Of course. (Handing.)

14 **Q Let's talk about a concept we have covered a bit  
15 previously, the Rewards Engine in connection with Kin.  
16 What is the Rewards Engine?**

17 A The Rewards Engine, you know, in its concept, is  
18 a decentralized system which is able to issue, in a fully  
19 automated and decentralized way, tokens to participants in  
20 the Kin ecosystem. Specifically, you know, these are third  
21 parties that are creating applications on the platform and  
22 integrating Kin and, therefore, are creating sort of use  
23 cases for the cryptocurrency.

24 The Kin Rewards Engine is technologically a smart  
25 contract where such entities could, upon creating a kind of

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1 is not owned by a central issuer party or company and,  
2 therefore, a foundation is sort of an independent entity  
3 that could act in the interest of that network without being  
4 affiliated with a particular private, you know, interest or  
5 company or -- or person.

6 **Q And was a foundation set up in connection with  
7 the Kin offering?**

8 A I wouldn't know. I don't know what -- what  
9 structures Kik ended up legally setting up.

10 **Q Okay. Let me point you to the middle of the  
11 first page here. Tanner writes, "Do you guys have any time  
12 before 4 p.m. today? A few additional things we were hoping  
13 to touch on. And there are some bullets."**

14 **I just want to point you to one bullet. "Number  
15 of exchanges we are targeting for the ICO."**

16 **What can you tell me about that topic, about  
17 exchanges that we are targeting for the ICO?**

18 A Not much. I, unfortunately, I don't recall  
19 whether this conversation actually took place that is being  
20 referred to in the e-mail. And if it did take place, I,  
21 unfortunately, don't recall what was covered on that -- on  
22 that call, just because we're talking about over a year ago.

23 **Q Sure. Go ahead.**

24 A So I unfortunately, I don't have that much  
25 information on this topic.

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1 usage within the economy, usage might be measured in  
2 transactions, where they can go and receive rewards in Kin  
3 tokens for doing that.

4 So it is an incentive mechanism for third parties  
5 to build use cases digital economy use cases for Kin.

6 **Q From reading about it, it seems like a relatively  
7 deceptively simple thing to set up that actually has a lot  
8 of complexity baked into it. In other words, it seems  
9 relatively simple to reward people just for sheer usage of  
10 Kin, right?**

11 A I would disagree with that. My expert opinion  
12 would be that it was actually deceptively difficult to  
13 create a Kin Rewards Engine because, you know, you'd need a  
14 mechanism that ensures the security of such a system, and  
15 it's actually very hard to do in a decentralized context.

16 **Q Yeah. Couldn't people -- isn't there some risk  
17 that people could cheat or otherwise --**

18 A There are many -- I'm sorry.

19 **Q No. You go ahead. Go ahead.**

20 A There are many -- I get excited about blockchain.

21 **Q Go for it.**

22 A There are many attack vectors that one could  
23 conceive where a third party could try to attack the Kin  
24 Rewards Engine and sort of unfairly reap rewards and stuff  
25 like that.

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1 So it's a very difficult technological problem to  
2 ensure that that doesn't happen.

3 **Q Right. So, for example, I could set up a bot to**  
4 **trade with myself and create fake usage activity, for**  
5 **example?**

6 A The design of the engine would need to anticipate  
7 probably that as one of the attack vectors and try to  
8 prevent it.

9 **Q Okay. And so what Kik would be trying to do,**  
10 **correct me if I'm getting this right {sic}, is design a**  
11 **reward engine that identifies valuable, useful activity in**  
12 **the Kin ecosystem and reward that?**

13 A You know, at a high level, you know, you can  
14 characterize it that way. I think there's a lot of nuance  
15 and complexity. We can get into it, if you like.

16 But, generally speaking, there are attack vectors  
17 for such systems. It's a difficult problem to prevent all  
18 attack vectors.

19 **Q Got it.**

20 MR. MITCHELL: To have a Kin Rewards Engine,  
21 someone would need to write that kind of smart -- write  
22 a smart contract to implement?

23 THE WITNESS: I think a Kin Rewards Engine could  
24 be implemented many different ways. I wouldn't even  
25 say that it is a single smart contract or many smart

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1 contracts. It could be a combination of decentralized  
2 smart contract or set of smart contracts, and  
3 decentralized system that become decentralized over  
4 time. There are many architectural configurations  
5 about how it, you know -- in how it can work.

6 And one of our sort of contributions to the  
7 project was thinking through how that might be  
8 technologically architect.

9 MR. MITCHELL: And was that complete at the time  
10 of the -- of the Kin token offering?

11 THE WITNESS: No. I wouldn't say so.

12 MR. MITCHELL: So, in order to have a Kin reward  
13 engine, someone would have to sort of make those  
14 decisions about architecture that you just described?

15 THE WITNESS: In order to have a Kin Rewards  
16 Engine, I suppose -- I suppose the company would need  
17 an architecture plan, and then they would execute upon  
18 that plan.

19 MR. MITCHELL: Okay. So under your -- and then  
20 someone would need to -- so -- let me back up.

21 Who was -- what was your understanding of who was  
22 going to do that work as of the time of the Kin token  
23 offering?

24 THE WITNESS: When you say "that work," you mean  
25 specification of the Kin Rewards Engine?

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1 MR. MITCHELL: Yeah.

2 THE WITNESS: I would say that the specification  
3 of the Kin Rewards Engine was owned probably by the  
4 technology team of Kik, and then we provided sort of  
5 feedback and expertise around -- around those plans.

6 MR. MITCHELL: And by "we," you mean CoinFund?

7 THE WITNESS: Yes.

8 BY MR. LEASURE:

9 **Q In thinking about modeling -- well, let me back**  
10 **up.**

11 **You guys, you guys being CoinFund, thought about**  
12 **how to model a working Rewards Engine that met the goals of**  
13 **the Kin ecosystem, correct?**

14 A We did.

15 **Q Okay. And I take it, in thinking about that, you**  
16 **have to understand who or at least model who the various**  
17 **users and participants in the Kin ecosystem would be?**

18 A I don't know if that's a requirement of thinking  
19 about such a system.

20 **Q Did you do that?**

21 A We may have. It's conceivable that we did.

22 **Q Okay. Would secondary trading and trading on**  
23 **exchanges have any effect or importance for the Kin Rewards**  
24 **Engine?**

25 A I mean, I think the Kin Rewards Engine, sort of a

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1 standalone system, that would not be aware of a secondary  
2 trading itself. So I would say no.

3 **Q So if people, in a hypothetical ecosystem that**  
4 **has a Rewards Engine, if people were satisfied with**  
5 **receiving Kin, in and of itself, there would be no need to**  
6 **have a secondary trading mechanism?**

7 A It's hard to say what would satisfy future  
8 hypothetical prospective users of Kin.

9 **Q Okay. Was there -- were there draft documents**  
10 **modeling or discussing the Kin Rewards Engine that you were**  
11 **involved in?**

12 A Yes.

13 **Q Okay. Tell me about those.**

14 A You know, at the time of us working with the  
15 project around, I guess around the time of the -- it was  
16 after like the Tel Aviv series of meetings, there was a  
17 design document for the Kin Rewards Engine that we gave  
18 feedback on, for sure.

19 **Q I see something, I'm about to show it to you so I**  
20 **can reference it, called a request for comments on the --**

21 A Uh-huh.

22 **Q Is that what you are referring to?**

23 A I believe so, but I'd have to look at the  
24 document to be sure.

25 **Q Sure.**

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1 I'm marking this as Exhibit 66.  
 2 (SEC Exhibit No. 66 was marked for  
 3 identification.)  
 4 Q Take a look at Exhibit 66, and let me know when  
 5 you're ready.  
 6 A (Perusing.)  
 7 Q Exhibit 66 --  
 8 A Yep.  
 9 Q Let me identify it. Exhibit 66 is a one-page  
 10 e-mail with an attachment. It has the Bates stamp  
 11 COINFUND20083. The attachment begins with Bates stamp  
 12 COINFUND19730. It has the subject "Reward Engine RFC."  
 13 I will represent to you this uses -- again, we  
 14 had an issue with trying to get access to certain Google  
 15 documents.  
 16 My understanding, from CoinFund's production, is  
 17 that the attachment reflects at least one of the documents,  
 18 Google documents being linked in the e-mail.  
 19 A Okay.  
 20 Q Okay. What is this?  
 21 A This is a request for comment for paper which I  
 22 believe attempts to specify the Kin Rewards Engine.  
 23 Q Okay. So this is a draft document sort of  
 24 outlining how a Kin reward engine would work?  
 25 A To my understanding, that is what this document

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1 is, yes.  
 2 Q Okay. Was this document or version of this  
 3 document published, to your knowledge?  
 4 A To my knowledge, I don't know that it was or was  
 5 not.  
 6 Q Who worked on this document?  
 7 A My recollection is that this document was a  
 8 collaboration between the Kik team, CoinTree and also  
 9 ourselves in the capacity of giving feedback and comments on  
 10 this document.  
 11 Q Understood.  
 12 Did you have a sense of, within those groups, if  
 13 there was someone who was leading the charge on this  
 14 document?  
 15 A I did not have that sense.  
 16 Q Okay. It wasn't -- were you?  
 17 A I wouldn't characterize us as leading. I would  
 18 characterize us as giving feedback on the document.  
 19 Q Giving feedback, understood.  
 20 Let me point you to a few sections in here.  
 21 On page 2 of the document, that's 19732, there is  
 22 a section called "Who are the actors?"  
 23 A Yes.  
 24 Q And it says, "In defining the Rewards Engine, we  
 25 focused mainly on the behavior incentives to three

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1 archetypes of actors in the Kin economy; common users,  
 2 capitalists and digital service developers."  
 3 A Uh-huh.  
 4 Q First, do you know where this -- where these  
 5 archetypes and actors, who developed this section of the  
 6 document?  
 7 A I don't recall who wrote this section of the  
 8 document. I'm inclined to say that it wasn't me but I don't  
 9 know that for a fact. I just simply don't remember.  
 10 It is not uncommon, in analyzing sort of systems  
 11 that think about incentives, to list out the potential  
 12 participants of that system, as is being done, simply  
 13 because you want to understand, you know, what incentives  
 14 are important to every class of participant.  
 15 MR. MITCHELL: Was it true, at the time, that the  
 16 group of people working on the Kin Rewards Engine  
 17 focused mainly on the behavior incentives of these  
 18 three archetypes of actors?  
 19 THE WITNESS: Sorry. Can you repeat the  
 20 question?  
 21 MR. MITCHELL: Was it true, at the time of this  
 22 e-mail, that the team that was working on the Kin  
 23 Rewards Engine was focused mainly on the behavior and  
 24 incentives of these three archetypes of actors?  
 25 THE WITNESS: This is what the document purports

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1 to have happened. And that sentence would be the  
 2 reference that I would use to answer that question.  
 3 And I don't have any other knowledge other than that  
 4 sentence to indicate that they were using or not --  
 5 they were thinking or not thinking about other  
 6 participants.  
 7 MR. MITCHELL: What about you? What were you  
 8 focused on?  
 9 THE WITNESS: I was mainly focused on thinking  
 10 about the attack vectors.  
 11 MR. MITCHELL: And did the type of actors go into  
 12 that type of analysis?  
 13 THE WITNESS: I would say predominantly not. I  
 14 would say you would be thinking about a hacker and like  
 15 how a hacker might create transactions or attack the  
 16 smart contract in order to effectuate the release of  
 17 rewards for himself.  
 18 BY MR. LEASURE:  
 19 Q So you suspect, but don't know, I just want to  
 20 make sure I'm understanding you, you suspect, but don't  
 21 know, that you weren't the primary person thinking about  
 22 modeling, you know, the archetypes of different categories  
 23 of actors in this system?  
 24 A I was certainly not the primary person, to my  
 25 recollection, to think through that particular issue, but I

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1 was a reviewer of the document.

2 **Q That's fine. Okay. Let me read you the one on**  
3 **capitalists. It's still on page 2. "Capitalists are**  
4 **individuals with significant holdings in Kin for investment**  
5 **purposes rather than spending purposes. Their main interest**  
6 **is for Kin to increase in value. Token sale participants,**  
7 **for example, are likely to be considered members of this**  
8 **group," and it goes on from there.**

9 **I take it you don't recall you, yourself, writing**  
10 **that?**

11 A I don't believe I wrote that.

12 **Q Okay. Do you have any reason to think that this**  
13 **is inaccurate?**

14 A It's really -- again, it's really hard to  
15 speculate about the behavior of individual token sale  
16 participants or why they might buy Kin or what they might  
17 expect the price of Kin to be.

18 **Q You don't know either way?**

19 A It's evident that this is -- this was a thought,  
20 but I do not know that the token sale participants actually  
21 thought this way.

22 **Q Again, I just want to know what you think and you**  
23 **know.**

24 **Do you know either way whether token sale**  
25 **participants thought this way?**

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1 A I do not know whether token sale participants  
2 thought as is described in this sentence.

3 **Q Okay. Let me point you -- again, this is also on**  
4 **capitalists, to page 7, under the section model analysis.**  
5 **It's on Bates stamp 19737. And there's a balance between**  
6 **capitalists and common users.**

7 **Do you see where I am?**

8 A Yes.

9 **Q "Could the ecosystem reach a steady state in**  
10 **which all Kin is held by capitalists or all is held by**  
11 **regular users?"**

12 **And then it reads, "At Kin's launch, capitalists**  
13 **are in abundance. Therefore, getting to a state of absence**  
14 **of capitalists could only be the result of speculators**  
15 **selling their Kin as they expect long-term inflation," and**  
16 **it goes on from there.**

17 **Again, I'm just going to ask you generally, did**  
18 **you write this section of the document?**

19 A I don't believe I did.

20 **Q And this wasn't -- I'm taking it from your prior**  
21 **answers, this issue, what people's interest were at the**  
22 **start of the launch of Kin, that wasn't a focus of your**  
23 **review of the Rewards Engine; is that accurate?**

24 A I don't believe I'm the author of this. I  
25 probably reviewed it, but it is not -- it wasn't my focus in

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1 this document to analyze or speculate, for that matter,  
2 about the behavior of so-called capitalists or speculators.

3 **Q Is it right that you don't know either way**  
4 **whether this is an accurate prediction of who would be --**  
5 **whether capitalists would be in abundance at the launch of**  
6 **Kin or not?**

7 A I have no information about the constituency of  
8 the token sale participants. And so I wouldn't know whether  
9 we could even characterize those as capitalists or any other  
10 label.

11 **Q That's fine.**

12 **I'll tell you, on page 9, the document starts to**  
13 **talk about attempts to game the Rewards Engine.**

14 **Do you see where I'm pointing?**

15 A Uh-huh.

16 **Q Was that more of your focus in terms of the**  
17 **thinking about the Rewards Engine?**

18 A Indeed.

19 **Q Let me show you another document. You can keep**  
20 **that in front of you because I want to ask you about a**  
21 **change to this document.**

22 MR. LEASURE: I am marking Exhibit 67.

23 (SEC Exhibit No. 67 was marked for  
24 identification.)

25 **Q Take a look. This will look similar, but it has**

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1 **some differences I want to point you to.**

2 **Exhibit 67 is a multi-page document entitled "Kin**  
3 **Rewards Engine RFC," with a Bates stamp COINFUND8210.**

4 **It has a date of June of 2017 on it. I'll**  
5 **represent for you guys that, in the metadata that comes with**  
6 **documents when we get it, this -- it states this was created**  
7 **on June 11. So that would be, math is hard, five days after**  
8 **Exhibit 66? I'm just representing to you what the**  
9 **metadata --**

10 A This is Exhibit 66, and you're saying this was  
11 five days before -- please continue.

12 **Q You nailed it. And let me just state it again.**

13 **Exhibit 66, according to my understanding of the**  
14 **metadata, is five days before what we see in Exhibit 67.**

15 A Very well.

16 **Q Representing to you what appears to be a later**  
17 **draft.**

18 A Okay.

19 **Q Do you recognize Exhibit 67?**

20 A It appears to be a later draft of the Kin Rewards  
21 Engine RFC.

22 **Q Okay. The only reason -- the main reason I'm**  
23 **showing this to you is to point you to the third page of**  
24 **Exhibit 67, which is Bates stamped 8213.**

25 **This now says, under the section capitalists, if**



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1 I can point you there. This says, "Capitalists are  
2 individuals with significant holdings in Kin used for  
3 investment purposes rather than spending purposes. They  
4 constitute a minority of participants in the ecosystem," and  
5 it goes on from there.

6 As I compare that language to the language in  
7 Exhibit 66, which stated that token sale participants, for  
8 example, are likely to be considered members of this group,  
9 in Exhibit 67 it now states that capitalists are a minority  
10 of participants in the ecosystem.

11 That's a long winded way of asking a simple  
12 question. Do you know why this language changed?

13 A I do not.

14 Q Do you have any basis to support either view of  
15 capitalists as reflected in these documents?

16 A You know, I -- I like to operate on data. If  
17 there's an assertion that the majority of a set participant  
18 behave a certain way, I like to see evidence of that.

19 I do not have data on the behavior of token sale  
20 participants in Kin and, therefore, it's really hard for me  
21 to answer the question.

22 And I can't -- I can't speculate as to -- as to  
23 why or how or what attitude, hypothetically, these  
24 participants would have toward Kin.

25 So I view these statements as a speculation, as a

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1 A I am not.

2 Q There was no subsequent survey or market analysis  
3 that you're aware of?

4 A Not that we provided other than what you have,  
5 and I don't believe that we provided more than what we've  
6 already discussed today.

7 MR. MITCHELL: Are you aware of any data or facts  
8 or anything that Kik had access to, to support just the  
9 factual contention that capitalists constitute a  
10 minority of participants in the ecosystem?

11 THE WITNESS: I mean, as we saw earlier today, we  
12 had a survey with 223 participants that could inform  
13 that educated guess. Whether that survey was correct,  
14 whether it actually surveyed random people or  
15 cryptoenthusiasts or cryptoinvestors or institutional  
16 investors, we don't know.

17 How Kik would have used that data to inform this  
18 particular set of documents, I'm just simply not aware  
19 of.

20 MR. MITCHELL: Are you aware of any -- sorry.

21 Did your survey support the contention that  
22 capitalists constitute a minority of participants in  
23 the ecosystem?

24 THE WITNESS: I'm not sure. I'd have to look at  
25 the survey results, which I don't have in front of me,

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1 speculative statement, as an educated guess about how the  
2 system would behave, but I don't see that it is based on  
3 data. I think this is a guess.

4 Q Fair enough.

5 I appreciate you prefer to rely on data, I assume  
6 particularly with a mathematics and technical background,  
7 correct?

8 A I would say so.

9 Q Good.

10 Are you aware of any data that came in from  
11 June 6 to June 11, 2017 that would support a change to this  
12 document?

13 A To my recollection, I am not aware of the reasons  
14 why these views or guesses were changed, and I don't have  
15 knowledge of any additional data that came in during that  
16 time that would make them change it.

17 I just simply was not involved with this document  
18 to a large degree.

19 Q That's fine. That's fine.

20 And in terms of data, other than the data that we  
21 see that CoinFund prepared early in its engagement, right?

22 A Uh-huh.

23 Q A survey and analysis of that data, are you aware  
24 of other data that Kik had access to that would provide Kik  
25 information with the motivations of Kin purchasers?

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1 but even if the survey results purported to show, you  
2 know, results that supported this conclusion, the  
3 survey results themselves, I don't think are conclusive  
4 based on a small sample size.

5 MR. MITCHELL: Okay. Other than your survey, was  
6 there any other data that you were aware of?

7 THE WITNESS: Not that I'm aware of.

8 MR. MITCHELL: And did anyone at Kik ask you  
9 about this? Did anyone at Kik ask you or CoinFund,  
10 hey, what percentage of participants do you predict  
11 capitalists will be in the ecosystem?

12 THE WITNESS: To my recollection, I was never  
13 asked that.

14 BY MR. LEASURE:

15 Q I will represent to you that, to my  
16 understanding, the Rewards Engine, RFC, wasn't ultimately  
17 published until after the token distribution event.

18 I saw a medium post in October of 2017, so I see  
19 that stuff, but I don't know what happened.

20 Do you have any context or insight you can give  
21 me into why that RFC might have been delayed?

22 A I don't know the internal, you know, logistical  
23 reasons why. I could speculate why. I prefer not to  
24 speculate why.

25 MR. ROSHKA: You are not going to. No

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1 speculation.

2 Are you going to beg him to speculate again?

3 MR. LEASURE: Not on this topic. I reserve the  
4 right to beg to speculate. Just not on this topic.

5 BY MR. LEASURE:

6 **Q So I will take those documents back.**

7 A (Handing.)

8 **Q We saw in some of the earlier work that CoinFund**  
9 **prepared for Kik that there was at least a reference to**  
10 **compliance or regulatory concerns.**

11 **Do you remember that?**

12 A Sure.

13 **Q And, again, I want to caution you not to tell me**  
14 **anything that counsel to CoinFund told you in connection**  
15 **with legal advice, but in advance of Kin offering, did Kik,**  
16 **from your perspective, consider whether the Kin tokens would**  
17 **be securities under US law?**

18 A It's conceivable that they did. You know, as you  
19 have seen in my informal intellectual analysis of the  
20 regulatory environment around blockchain, an industry which  
21 I study, we mentioned the SEC and issues of securities.

22 We recommended to Kik to retain professional  
23 counsel to conclusively advise them on the strategy as it  
24 relates to regulatory compliance and we assumed that they  
25 did that and we deferred to their counsel to do that

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1 **Q Is it conceivable that you did?**

2 A It's conceivable that I did. This is a core  
3 issue of our industry.

4 **Q Sure. Right. And people were talking about this**  
5 **even in 2017, correct?**

6 A Of course.

7 **Q This was a big issue?**

8 A I think so.

9 **Q Okay. One thing that happened in 2017 is the SEC**  
10 **issued it's so-called Dao report, D-A-O.**

11 **Are you familiar with that?**

12 A I am familiar with it.

13 **Q In fact, I think I saw that CoinFund issued a**  
14 **client memo relating to that report, correct?**

15 A That's correct.

16 **Q And so that was an important development for the**  
17 **industry; is that accurate?**

18 A I would say that it represented a increase in  
19 sort of regulatory analysis of our -- of our industry.

20 **Q Okay. Now, turning now to Kik. How, if at all,**  
21 **did Kik respond to the Dao report, do you know?**

22 A I don't recall any specific conversation where  
23 they responded to it.

24 **Q Do you know if Kik reconsidered doing its Kin**  
25 **offering in response to the Dao report?**

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1 correctly.

2 **Q But -- okay. From what you saw, Kik did retain**  
3 **regulatory counsel?**

4 A Well, it's my understanding that Kik retained  
5 Cooley, yes.

6 **Q And remind me, did you ever meet with Cooley? I**  
7 **think you referenced one meeting with an individual named**  
8 **Marco Santori?**

9 A As we mentioned earlier today, Marco Santori was  
10 also our lawyer on a separate matter. We were definitely in  
11 conference calls with members of the Cooley team, including  
12 Marco.

13 **Q Did people at Kik ever share with you the**  
14 **legal -- any legal analysis that Cooley prepared for them in**  
15 **connection with the Kin offering?**

16 A Not to my recollection.

17 MR. MITCHELL: Did you ever discuss these issues  
18 with anyone from Union Square Ventures?

19 A Not to my recollection.

20 **Q Did you ever discuss with anyone outside of Kik**  
21 **what Kik's thinking was with regard to the securities laws**  
22 **issues in the Kin offering?**

23 A I don't believe I did. I mean, it's conceivable  
24 that --

25 MR. ROSHKA: You answered the question.

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1 A I don't know that.

2 **Q Okay. How about, did Kik restructure any aspect**  
3 **of the Kin offering in response to the Dao report?**

4 A If they did, I am not aware that they did.

5 **Q You weren't involved in discussions about that?**

6 A To the best of my recollection, I was not  
7 involved in discussions about that.

8 **Q Did you ever have discussions with Kik in which**  
9 **there was consideration of registering the offer and sale of**  
10 **the Kin offering with the SEC?**

11 A To the best of my recollection, I was not.

12 **Q Okay. How about within CoinFund, did the**  
13 **CoinFund team ever discuss that possibility?**

14 A I don't believe that we did.

15 **Q To your knowledge, did Kik ever discuss the**  
16 **potential Kin offering with regulators from other countries?**

17 A Sorry. Can you repeat the question?

18 **Q Absolutely.**

19 **To your knowledge, did Kik ever discuss the**  
20 **potential Kin offering with regulators from other countries?**

21 A My understanding is that, during the course of  
22 the project, the Ontario Securities Commission made some  
23 statements around ICOs. I believe that, you know, it  
24 touched Kik, and I believe that Kik met with that commission  
25 and had a conversation with them about their offering.

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1 I know that Kik subsequently blocked Canadian  
2 investors from their offering and those are sort of the  
3 facts that I know about.

4 **Q Did you hear about what happened in those  
5 meetings or discussions with the Ontario --**

6 A I am not privy to the content of the meetings.

7 **Q Did you hear if they went well or poorly for Kik?**

8 A I don't recall having that conversation.

9 **Q Were there any other countries in which Kik  
10 declined to offer Kin as a result of the discussions with  
11 regulators, to your knowledge?**

12 A To my knowledge, the OSC is the only regulator  
13 that I am aware of that Kik spoke to. There may have been  
14 more that I'm not aware of. I know during the course of the  
15 sale, you know, China, I think, also had regulatory around  
16 cryptocurrency.

17 **Q China also had regulatory issues?**

18 A Activity around cryptocurrencies, but I'm not  
19 aware that Kik met with Chinese regulators.

20 **Q In your discussions with Kik, did anyone raise  
21 the possibility of, in a similar way to which they had  
22 dialogue with the OSC, having a dialogue with the US SEC?**

23 A I am not aware that they wanted to do that or  
24 that they did that.

25 **Q Or considered doing that?**

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1 A I am just not aware whether they considered doing  
2 that.

3 **Q That's fine.**

4 **Does CoinFund still have an engagement or role  
5 with Kik?**

6 A I believe our engagement has, at this point, been  
7 concluded. I don't remember the exact terms of like when  
8 legally our engagement is officially concluded according to  
9 the terms and conditions of our contract.

10 I can tell you that we worked with Kik throughout  
11 the course of the engagement. We worked with Kik and billed  
12 Kik after the sale. We, on occasion, have, you know,  
13 meetings with the Kik team as participants in our industry  
14 and as colleagues.

15 A few months ago, I was at a developer conference  
16 for Kin, but we have not sort of billed Kik as a client in  
17 some time at this point. So I would consider our engagement  
18 probably completed at this time.

19 **Q I don't know if you are still tracking it or  
20 keeping tabs on it, what's the current status of Kin, to  
21 your knowledge?**

22 A I haven't checked the price of Kin, so I wouldn't  
23 know.

24 **Q Do you know what the status is of building out  
25 the Kin ecosystem?**

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1 A I don't know the exact status.

2 **Q Do you know what you can do with Kin nowadays?**

3 A I'm not aware of what you can do with Kin  
4 nowadays.

5 **Q Is CoinFund -- so I understand that CoinFund, in  
6 2017, had some sort of advisory or research role with Kik  
7 and a handful of other companies; is that right?**

8 A We had a number of clients in 2017, yes.

9 **Q Is that type of work still ongoing at CoinFund?**

10 A I would say no. I would say that, with the  
11 launch of our 2018 LP fund, we are generally -- we generally  
12 take the role of an investor in equity or digital assets of  
13 companies.

14 MR. LEASURE: Let's go off the record.

15 THE VIDEOGRAPHER: We are now off the record at  
16 3:30 p.m.

17 (Recess taken.)

18 THE VIDEOGRAPHER: This is tape six in the  
19 deposition of Jake Brukman. We are now on the record  
20 at 3:46 p.m.

21 MR. MITCHELL: Mr. Brukman, during the break,  
22 did you have any substantive conversations about the  
23 case with the SEC staff?

24 THE WITNESS: I did not.

25 MR. MITCHELL: Earlier today, you mentioned a

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1 blog post that you remembered writing. I'm going to  
2 give you what we just marked Exhibit 68.

3 (SEC Exhibit No. 68 was marked for  
4 identification.)

5 MR. MITCHELL: Can you just take a look at it and  
6 tell me if you recognize this document?

7 THE WITNESS: Yes, I do recognize the document.  
8 I'm just reading through it to refresh my memory, if  
9 that's okay. (Perusing.)

10 MR. MITCHELL: Do you recognize it?

11 THE WITNESS: I do.

12 MR. MITCHELL: What is it?

13 THE WITNESS: This is a blog post that I authored  
14 and was published on, I believe, the Kin Foundation  
15 medium blog.

16 MR. MITCHELL: Why did you write it?

17 THE WITNESS: I often write blog posts, a number  
18 of blog posts on our -- on our blog at CoinFund.

19 I wrote this at the request of Kik to produce a  
20 blog post for them partially, but partially I wrote it  
21 because I felt that Kin was an exciting project and  
22 wanted to analyze it in this way.

23 MR. MITCHELL: And what kind of blog posts or  
24 what did Kik ask for when it asked you for a blog post?

25 THE WITNESS: They weren't specific. They just

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1 said, you know, if you want to kind of publish on our  
2 blog, you're welcome to do that.

3 They didn't give me any specific, like, criteria  
4 for what to write about. This is what I chose to write  
5 about.

6 MR. MITCHELL: And why did you choose to write  
7 about this?

8 THE WITNESS: I chose to write about this because  
9 I honestly believed, at the time, and still believe  
10 that companies like Kik, traditional consumer  
11 technology companies taking on blockchain strategies  
12 are an exciting prospective way for mainstream users to  
13 adopt blockchain technology. I wanted to analyze it  
14 from that perspective.

15 MR. MITCHELL: And you wanted to communicate that  
16 out -- that's what you were trying to communicate to  
17 to readers?

18 THE WITNESS: It's a view. It's an opinion. But  
19 yes.

20 MR. LEASURE: So I'm going to ask you to  
21 literally understand what it means. If you turn to the  
22 second page at the top, it says, "However, we are  
23 observing that in the early stages of cryptocurrencies,  
24 their volatility serves an interesting function."

25 And then that paragraph has two parts. It sort

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1 that -- while those kind of properties might be present  
2 in the early stages of these systems, once users are  
3 there, the systems transition to kind of much more  
4 fundamentally valuable systems, where users are  
5 actually using them for the purpose -- economic purpose  
6 for which they're intended.

7 MR. MITCHELL: Is that the part that begins  
8 "second" in this paragraph, that, "Second, increased  
9 liquidity eventually counteracts the volatility"?

10 THE WITNESS: So I think that's a separate  
11 observation that, you know, one of the -- one of the  
12 reasons why a very volatile cryptocurrency asset might  
13 cease to be volatile is just simply a large number of  
14 users enter its, I guess, ecosystem or begin to use it  
15 at large scale.

16 MR. MITCHELL: Okay. And so am I right that what  
17 you're saying is that volatility at first attracts  
18 users to speculative returns, it helps build up a user  
19 base, but then later that large user base sort of  
20 actually can tap down the volatility because there are  
21 so many users?

22 THE WITNESS: That conceivably could be the case  
23 with a cryptocurrency. I'm not saying here that it is  
24 the case with any particular cryptocurrency, but this  
25 is how I, you know, envisioned at the time of this

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1 of says, "First it attracts users to speculative  
2 returns and helps to build up aligned user bases which  
3 assuage the chicken and egg problems of technology  
4 products."

5 What does that mean?

6 THE WITNESS: You know, speaking in general, as  
7 an observer of the blockchain space, you know, let me  
8 break it down.

9 So chicken and egg problem, right, refers to the  
10 idea that technology company might build a product, but  
11 how does it get users to use it, right? So there's a  
12 certain concept known as network effect where the more  
13 users are using a particular product, the more useful  
14 it is, and if you don't have it, it's hard to aggregate  
15 it.

16 One of the really exciting applications of  
17 cryptocurrencies is that they might help to build  
18 network effects around products.

19 And they do that by attracting users in various  
20 ways through their properties. One of those properties  
21 could be sense of ownership in the product. For  
22 example, if your token gets governance rights over a  
23 network, it's conceivable that some users might be  
24 attracted to the returns of a cryptocurrency.

25 But I think the point here is that while -- while

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1 writing a conceivable process by which a cryptocurrency  
2 might come to fruition.

3 MR. MITCHELL: And you also wrote then that the  
4 Kik's blockchain project, Kin, recognizes and embraces  
5 those properties of pure cryptocurrencies; is that  
6 right?

7 THE WITNESS: That is what I wrote.

8 MR. MITCHELL: Sorry. And was that correct when  
9 you wrote it?

10 THE WITNESS: It is correct that I thought that,  
11 as a cryptocurrency, Kin was interesting, because it's  
12 trying to build a digital economy.

13 MR. MITCHELL: Okay. And down below you wrote,  
14 "Moreover, Kik is the first traditional consumer  
15 technology to venture into the cryptocurrency space and  
16 to bring its mainstream audience with it."

17 Did you think that was sort of important to the  
18 Kin project that had been announced by that point?

19 THE WITNESS: I would say so.

20 MR. MITCHELL: Okay. Why?

21 THE WITNESS: Because I think putting a  
22 blockchain project in front of a large audience of  
23 mainstream users is interesting because it probably  
24 creates a higher likelihood that that product would be  
25 adopted by that audience.

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1 MR. MITCHELL: Thanks.

2 BY MR. LEASURE:

3 **Q I think we touched on this earlier. I want to**

4 **turn to any contacts you've had --**

5 MR. MITCHELL: Let me just take the document.

6 **Q -- contacts that you've had this year with people**

7 **who work at Kik.**

8 A Uh-huh.

9 **Q You had mentioned at a conference, a programming**

10 **conference, you had met some people at; is that right?**

11 A Yes.

12 **Q Tell me about that, the contacts you had there.**

13 A So simply that, you know, Kik was holding an

14 event in New York related to its, you know, developer

15 network effort. They invited Fred Wilson to speak at the

16 event, and they invited me to interview Fred Wilson.

17 **Q Cool. And when you say developer member work --**

18 **sorry. What was the --**

19 A Developer network.

20 **Q Network. Tell me about that conference and those**

21 **efforts there.**

22 A Often, when a technology company is building a

23 platform where third-party developers can build on that

24 platform, they will hold events to sort of get those

25 developers in one place, educate them and, you know, give

Page 219

1 them information about -- about developing on that platform,

2 which is what Kik did.

3 **Q And so this was trying to attract developers to**

4 **the Kin network?**

5 A You know, my scope in participating in the event

6 was an interview with Fred Wilson. So I was not there for

7 the entire time. I was there for sort of my interview time.

8 I'm not exactly sure what they were discussing at

9 the conference beyond the time that I participated in at the

10 conference.

11 MR. MITCHELL: What did you interview him about?

12 THE WITNESS: We had a general interview about

13 the state of the blockchain space and his outlook on,

14 you know, how blockchain products might be adopted and

15 some of their recent investments at Union Square

16 Ventures.

17 MR. MITCHELL: Did you talk about Kin tokens?

18 THE WITNESS: We did.

19 MR. MITCHELL: What did you talk about?

20 THE WITNESS: I believe I asked Fred, you know,

21 why he -- you know, why he backed this project or why

22 this project was interesting to him personally or, you

23 know, in the capacity of an investor at Union Square.

24 MR. MITCHELL: Why did you ask that?

25 THE WITNESS: I think -- I think it's interesting

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1 for people to -- to understand those kinds of

2 reasonings, to better understand products.

3 MR. MITCHELL: But why for this audience?

4 THE WITNESS: I mean, as an interviewer, that's

5 my job. It's my job to interview an investor about why

6 he does what he does. And Fred Wilson is an investor.

7 He invests in projects. And I asked him why he

8 invested.

9 MR. MITCHELL: The people in the audience, they

10 were other investors?

11 THE WITNESS: No. They were members of the Kik

12 team and, to my understanding, they were kind of the

13 developer community of -- around the Kin ecosystem.

14 MR. MITCHELL: They were developers around the

15 Kin ecosystem?

16 THE WITNESS: That's my understanding, yes.

17 BY MR. LEASURE:

18 **Q Did you talk with -- at that conference, did you**

19 **have occasion to talk to people other than Fred Wilson who**

20 **were connected to or affiliated with Kik?**

21 A Yes.

22 **Q Who?**

23 A I talked with Peter Heinke.

24 **Q Tell me about that.**

25 A It was very pleasant. You know, we hadn't seen

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1 each other for a few months in person. Said hellos. Rather

2 informal conversation.

3 **Q Did you talk about Kin, how Kin was going?**

4 A Not particularly.

5 **Q Anyone else at that conference you talked to?**

6 A There were a few staff members, I don't even know

7 their names, who were helping out with the event that I

8 interacted with on like -- on logistics and things like

9 that.

10 MR. MURTHA: Did you talk to Mr. Heinke about the

11 SEC's investigation?

12 THE WITNESS: I did not.

13 **Q Outside of that conference in this year, have you**

14 **talked to people from Kik?**

15 A Yeah. I believe I talked to Mr. Heinke on at

16 least one occasion by phone. I believe -- I believe our

17 team talked to Tanner this year on at least one occasion.

18 **Q Tell me about the Tanner conversation.**

19 A I can't really recall the details.

20 **Q Was it about Kin?**

21 A I can't really remember.

22 **Q Have you had discussions or contacts with people**

23 **from Kik about the SEC's investigation?**

24 A I don't believe so.

25 **Q Did they ever reach out to you in connection with**

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1 the SEC investigation?

2 A I think the extent to which we, you know,  
3 communicated is our engagement agreement provides that --  
4 that we were required to let them know if there was a, sort  
5 of an investigation of some kind or regulatory activity.  
6 You know, we did that through our counsel and through their  
7 counsel.

8 Q Not directly through you?

9 A Not directly, uh-huh.

10 Q Did they give you any feedback or response to  
11 that?

12 A That would be a question for our counsel.

13 Q You never heard anything?

14 A I'm not aware exactly what happened.

15 Q Did anyone from Kik or Kik's counsel tell you how  
16 to respond to SEC subpoenas?

17 A From Kik's counsel?

18 Q Correct.

19 A Absolutely not.

20 Q Did anyone from Kik or did Kik's counsel tell you  
21 how to testify here today?

22 A No.

23 Q Did you meet with your counsel in preparation for  
24 today's testimony?

25 A I did.

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1 Q Roughly how long?

2 A Probably about nine hours.

3 Q Nine hours. Did you review documents in advance  
4 of that -- I'm sorry.

5 Did you review documents while you met with your  
6 counsel?

7 A We viewed documents.

8 Q Roughly how many?

9 A I'm not sure if that falls under attorney/client  
10 privilege.

11 MR. ROSHKA: If you recall the number of  
12 documents that you looked at when you met with us.

13 A I don't recall the exact number of documents.

14 Q Can you give me a scope, 2, 200,000, somewhere in  
15 between?

16 A It's definitely not 200,000.

17 Q I'm glad it wasn't 200,000. So are we in tens of  
18 documents?

19 A I would say it would be under -- I would say it  
20 would be around probably order of ten documents.

21 Q Great.

22 A lot of the events I asked you about today dealt  
23 with events a year ago, right, in 2017?

24 A Yes.

25 Q In reviewing documents with counsel, did they

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1 help refresh your recollection about events in 2017?

2 A Some of the documents that we viewed helped to  
3 refresh my recollection, yes.

4 Q Okay.

5 MR. MITCHELL: Can I ask the about developer  
6 conference? Did Kik run that conference?

7 THE WITNESS: It is my understanding that they  
8 did.

9 MR. MITCHELL: How many developers were in the  
10 audience?

11 THE WITNESS: I don't know.

12 MR. MITCHELL: How many people were in the  
13 audience when you were on the stage?

14 THE WITNESS: I didn't count them.

15 MR. MITCHELL: Okay. Roughly how many people?

16 THE WITNESS: It's hard to say. I don't have any  
17 particular talent for estimating numbers of people in a  
18 crowd.

19 MR. MURTHA: Where did it take place?

20 THE WITNESS: It took place in a space in  
21 Manhattan.

22 MR. MURTHA: In what space?

23 THE WITNESS: I don't recall the name of the  
24 space.

25 MR. MITCHELL: Was it videotaped?

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1 THE WITNESS: I don't know. I don't recall.

2 BY MR. LEASURE:

3 Q We have no further questions for you at this  
4 time. Should we have additional questions for you, we will  
5 reach out to your counsel.

6 Mr. Brukman, is there anything you want to add  
7 or clarify to the testimony you've given today?

8 A I think -- I think that's fine.

9 MR. LEASURE: Counsel, do you have any additional  
10 clarifying questions?

11 MR. ROSHKA: No, thank you very much.

12 MR. LEASURE: All right. We are off the record.

13 THE VIDEOGRAPHER: Okay. This concludes today's  
14 deposition of Jake Brukman. We are now off the record  
15 at 4:04 p.m.

16 (Whereupon, at 4:04 p.m., the examination was  
17 concluded.)

18 \* \* \* \* \*



## 1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: KIK INTERACTIVE

4 Witness: Jake Brukman

5 File Number: HO-13388-A

6 Date: Wednesday, July 11, 2018

7 Location: New York, New York

8

9 This is to certify that I, Christine Boyce, (the  
10 undersigned) do hereby swear and affirm that the attached  
11 proceedings before the U.S. Securities and Exchange  
12 Commission were held according to the record, and that  
13 this is the original, complete, true and accurate  
14 transcript, which has been compared with the reporting or  
15 recording accomplished at the hearing.

16

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(Proofreader's Name)

(Date)

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